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EXECUTIVE LEVEL AND CONGRESSIONAL PAY

HEARING

BEFORE THE

SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

OF THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

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CONTENTS

	Page
Statement of—	
Staats, Hon. Elmer B., Comptroller of the United States	3
Dornan, Hon. Robert K., Representative from the State of California	13
Lederer, Hon. Raymond F., Representative from the State of Pennsylvania	18
Harkin, Hon. Tom, Representative in Congress from the State of Iowa	19
Tauke, Hon. Thomas J., Representative from the State of Iowa	21
Jacobs, Hon. Andrew, Representative from the State of Indiana	25
McDonald, Hon. Larry, Representative from the State of Georgia	30
Campbell, Hon. Alan K., Director, Office of Personnel Management	33
Grassley, Hon. Charles E., Representative from the State of Iowa	42
Statements submitted by—	
Fenwick, Hon. Milicent, a Representative in Congress from the State of Maryland	46
Keith, Hon. Hastings, former Member of Congress from Massachusetts	47
Evans, Hon. David W., Representative in Congress from the State of Indiana	48
Coelho, Hon. Tony, Representative in Congress from the State of California	49
Bennett, Hon. Charles E., Representative in Congress from the State of Florida	50
Fisher, Hon. Joseph L., a Representative in Congress from the State of Virginia	50
O'Brien, Hon. George M., a Representative in Congress from the State of Illinois	51
Hansen, Hon. George, a Representative in Congress from the State of Idaho	52
Goodling, Hon. Bill, a Representative in Congress from the State of Pennsylvania	52
Neal, Hon. Stephen L., a Representative in Congress from the State of North Carolina	53
Conte, Hon. Silvio O., a Representative in Congress from the State of Massachusetts	54

EXECUTIVE LEVEL AND CONGRESSIONAL PAY

TUESDAY, JULY 29, 1980

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 311, Cannon House Office Building, Hon. Gladys Noon Spellman presiding.

Mrs. SPELLMAN. The subcommittee will come to order.

We have convened this morning to hold an oversight hearing on congressional salaries as related to the limitations which they impose upon upper level civilian executive salaries by virtue of their linkage. We will also be discussing a variety of bills dealing with various methods of determining the levels of compensation for Members of Congress.

In the opinion of the Chair, one of the truly serious problems in Government today is the exodus of top quality talent as a direct result of our Government's inability to compete in the professional market. That salaries in the executive level are below those of the private sector can hardly be disputed. We must look then into the causes and attempt to seek solutions. Frankly, the subcommittee was more than a little dismayed to find that the administration's so-called Federal pay reform bill did not address the question.

The linkage of executive salaries with those of the Congress brings about a very serious compression at the top. How this occurs is certainly not difficult to understand. Between 1969 and October of 1979, civil service general schedule employees received 11 pay increases. During that same period, one which was marked with steady inflation, employees under the Executive Schedule received only three increases, simply because Congress held its own increases in salary down to three. We are advised that executive level professionals have, since 1977, suffered a 20-percent reduction in real income, right along with Members of Congress.

It would appear that we must either find the way to break the link between the compensation of executives and the compensation for Members of Congress or, failing that, find another way to deal with the matter of congressional salaries.

Under the current law, congressional pay and that of executive level personnel may be adjusted under either of two authorities. First, salary adjustments are proposed by the President every 4 years, based on recommendations of a Quadrennial Commission on Executive, Legislative, and Judicial Salaries. Second, salaries are

subject to annual recommendations of the President under the Federal Pay Comparability Act Amendments of 1975.

Additionally, Members may adjust their own salaries by statute.

Despite the fact that it was intended that most of such adjustments be virtually automatic, the congressional pay raise issue comes to a vote through the appropriations process. It has been at this point that funding for increases has been either denied or severely restricted. And whenever Congress has capped its own pay, because of the linkage, the pay of senior executive branch officials is capped as well. All past efforts to break this linkage have failed in both the House and the Senate, and there is absolutely no reason to believe, or even to have a ray of hope, that this feat will be carried off any time in the foreseeable future.

So the caps continue, and more and more employees are affected. Compression sets in. Today, the salaries of all employees in grades 16 through 18 are compressed—also those in the upper steps of grade 15. Supervisors are paid no more than those they supervise. Is there any wonder that we are losing our most capable employees? Private industry is delighted to have them. Ironically, we are losing our best minds at a time when we face truly complex problems—problems which cry out for imaginative, innovative solutions that can be supplied only by highly trained, highly talented, highly motivated professionals—the very ones who are retiring.

The current system of determining congressional pay causes other mischief as well. Because of the posturing about salaries on the part of some of its Members, Congress has been unable to pass appropriations legislation in time to prevent payless paydays for Federal employees. In the past the Justice Department seemed not to be perturbed when agencies continued to operate in violation of the law, after the expirations of their budgets, but it has now put Congress on notice—frankly, as a result of queries by this subcommittee—that it will no longer tolerate such illegal operations. Agencies which have not been funded will have to go out of business. There will be no finagling permitted anymore.

Let us recall what happened last fall when Congress was considering an appropriations bill of $247 billion, covering virtually every Federal program. The greater part of 2 weeks was wasted in demagogic oratory about that tiny portion of the resolution covering congressional pay—a figure representing six ten-thousandths of 1 percent of the entire appropriation. That vital legislation was held up and Federal employees were receiving half checks or no checks while Member after Member filled the pages of the Congressional Record with speeches meant for home consumption in which they flagellated the institution and their colleagues. Surely, we can find a more responsible way of handling this question.

The Chair is not terribly concerned about whether Members of Congress do or do not allow themselves to have salary increases, or even whether individual employees do or do not get salary increases. The Chair is vitally concerned about the system and what it is doing to our Government and to our Government's ability to function and to carry out its responsibilities to the people of the United States. I am afraid that Members have not stopped to look at the bigger picture—or maybe they have not had the political courage to face up to the facts. It is my sincere hope that this

hearing will cause us to confront the problems, seek solutions, and stiffen our backbones to enable us to do what must be done to build the caliber of bureaucracy which our citizenry has every right to expect and which our Nation is capable of providing.

I would hope that through this hearing today some solutions will come forth.

Mrs. SPELLMAN. Our first witness—and we are most honored to have you here with us, especially since it is my understanding this may be the last time that you come down to talk about this particular subject—I am very pleased to have as our first witness the Comptroller General, Mr. Staats. I trust you are not retiring for the very same reasons that we have outlined here, or are you? Or do you want to stay?

STATEMENT OF HON. ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY H. L. KRIEGER, GERALD R. MILLER, AND JOHN C. HANSEN

Mr. STAATS. Well, thank you very much. We are pleased to be here.

Our testimony today, Madam Chairman, will relate mostly to a report[1] which we are releasing today from the GAO entitled "Federal Executive Pay Compression Worsens." This is a result of work that has been underway now for some time and I hope will be persuasive.

It is imperative that the Federal Government attract and retain highly talented, capable, and dedicated individuals for its top positions. The Government must therefore have a pay system which, while accounting for the nonmonetary benefits of public service, can be competitive in the market for top quality executives and can reward its executives for higher levels of responsibility and performance.

As you know, pay compression for Federal executives has steadily worsened. Pay adjustments that were to be provided to members of the Executive, Judicial, and Legislative Schedules have continuously been limited, reduced, or completely denied. As a result, Members of Congress, Federal judges, and top Federal executives have suffered large losses in purchasing power. This has resulted in severe recruitment and retention problems for some agencies, and, because of the executive level's link with the General Schedule, it has also resulted in compressed pay in grades 16 through 18, as well as the top three steps of grade 15. Compression also affects the Senior Executive Service; 90 percent of these members receive the same pay. Thus, individuals at different levels of responsibility make the same salary. This provides little incentive for Federal executives to accept promotions with added responsibility but no increase in pay. Many Federal executives have chosen to retire rather than continue working at frozen pay levels. This problem is compounded by the generous cost-of-living adjustments to retirement annuities which increase the incentive to retire.

A study done by the 1976 Quadrennial Commission on Executive, Legislative, and Judicial Salaries pointed out that 75 percent of those who had left executive level and judicial positions stated that income was a factor. Also, the initial average salary for executive

[1] A copy of the report referred to was retained in the files of the subcommittee.

READEX MICRO

level employees leaving for private sector employment was 87 percent higher than their Government salary. I can speak to this issue on a personal basis as the General Accounting Office only recently lost its General Counsel to a lucrative private sector job.

Executive Schedule salaries have increased an average of only 35 percent since October 1969 as compared with increases of 84 percent in the General Schedule and 125 percent for private sector executives. State and local governments have also experienced high salary increases. For example, in 1977 20 State Governors received salaries over $47,500—the executive pay ceiling at that time—while in 1980, 30 State Governors are receiving $50,000 or more in salary. Also, a recent article in the Washington Star on salaries of top area officials showed that 21 of our local government officials received salaries of $50,000 or more.

Last October, top officials' pay was increased by 5.5 percent—their first raise since March 1977—while other Federal employees received 7-percent raises. On the other hand, Federal retirees received two increases totaling 10.8 percent in 1979 and received a 6-percent increase on March 1, 1980. Thus, it is not hard for an employee whose pay has been adjusted infrequently and in smaller amounts than others to realize that he or she is better off retiring as soon as eligible and receiving the cost-of-living increases that are granted to Federal retirees every 6 months.

About 180 Federal executives chose optional retirement during the last 6 months of 1979. However, the number of retirements rose drastically during the first 3 months of 1980 to about 320. About 16 top people in HEW, now HHS, retired in the first 3 months of this year.

The executive pay situation continues to look bleak for fiscal year 1981. The President has already announced his intentions to freeze executive pay this October. In addition, there is a proposal in Congress to prohibit the October 1980 pay adjustment for Federal executives and to limit bonus payments to 25 percent of SES positions. The Office of Personnel Management has informally estimated that 30,934 individuals will either be denied the estimated 6.2-percent October 1980 pay raise or will receive less than the full increase they are entitled to because of the $50,112 pay ceiling.

CONGRESSIONAL-EXECUTIVE PAY LINK

A major factor in the executive pay problem is the informal link between congressional and executive level II salaries. This link has adversely affected top executives' pay when the Congress has held its own pay down. This, in turn, limits the level V ceiling on General Schedule pay, thus compromising legislative mandates for pay comparability and pay distinctions.

We recognize that some of the executive pay problem results from the present economic conditions and high inflation. However, other countries who are experiencing high inflation have been able to maintain separate pay adjustments for their legislators and top civil servants. England, for example, only this month approved a 12.6-percent average increase for its top civil servants as well as a 9.6-percent increase for its Members of Parliament. England has a top salaries review board which meets every 2 years to recommend new pay rates for top level civil servants, top military members,

the judiciary, and Members of Parliament. In 1975 some Members of Parliament requested the top salaries review board to link their pay adjustments to those of top civil servants. The review board rejected this request because it believed the job of a Member of Parliament was unique and could not be compared with any other job and that it could result in holding down civil service pay adjustments. The review board also pointed out that difficulties over increases in Members' pay would be reduced if pay reviews were carried out regularly and more frequently. I should also point out that in England 41 permanent secretaries in the civil service make more than the Prime Minister.

Canada and West Germany also have separate pay adjustments for Members of Parliament and top civil servants because the jobs have different responsibilities and thus require different adjustments. Canada had a linkage until 1969 when it broke this linkage because of these differences.

We believe there are few parallels between the career patterns, career expectations, and responsibilities of Congressmen and level II executives. Also, the congressional salaries' link to executive level II has no legal basis or deeply rooted foundation, and has been in existence only since 1965. In 1964, level II executives received $30,000 a year, while Members of Congress received $22,500. Therefore, we see no compelling need to continue the link between their salaries, and recommend that the Congress discontinue this practice.

We also believe that small regular adjustments are more acceptable to the public than large jumps every 4 years. We recommend that Congress allow the annual adjustments to take effect for executives.

SENIOR EXECUTIVE SERVICE COULD BE ADVERSELY AFFECTED

The Senior Executive Service, or SES, was created to provide a compensation system designed to attract and retain highly competent executives and also to insure that compensation, retention, and tenure are measured on the basis of individual and organization performance. However, even before SES had a chance to operate, it was severely limited by actions of Congress.

First, although the President established six pay rates for SES, ranging from $47,889 to $56,500, limitations on fiscal year 1980 appropriations resulted in 90 percent of SES members receiving the same salary—$50,112. Therefore, there is a big difference between the rates established by the President and those actually paid.

The lack of meaningful salary differentials in SES results in most SES members getting the same salary despite major differences in responsibility and authority; and promotions or demotions from one SES level to another having little impact, especially financially. Lack of salary differentials could also lead to the use of performance awards to recognize higher levels of responsibility rather than top performance.

Second, recent action in the Congress to limit the total compensation, including performance awards, of SES could be disastrous, not only for SES but for the credibility and success of the entire civil service reform legislation.

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On July 2, 1980, the Congress included language in the fiscal year 1980 Supplemental Appropriations Act which allows aggregate pay for SES executives up to the level authorized by the Reform Act, but limits bonus payments to 25 percent, rather than 50 percent, of SES positions. This was a substantial improvement over a prior proposal which would have limited the aggregate pay of SES to $52,750 for fiscal year 1980.

However, a House proposal still remains to prohibit the October 1980 pay adjustment and to limit bonus payments to 25 percent of SES positions in fiscal year 1981.

Limiting performance awards for SES members could nullify the success agencies have already had in encouraging Federal executives to join SES. Over 98 percent of those eligible have elected to join. Many were obviously influenced by the prospect of receiving a bonus. A limitation will seriously affect the morale of these employees and can stifle the incentive for greater excellence which the Congress was striving to stimulate through the Reform Act's pay-for-performance provisions. Since nearly all Federal executives receive the same salary because of pay compression, few, if any, incentives exist for them to seek positions of greater authority and responsibility. SES would at least give the most deserving and productive executives the opportunity to receive lump-sum performance awards in recognition of their individual and organizational contributions.

More importantly, a major limitation on SES compensation could be interpreted as a breach of faith by many executives who have elected to join SES. Early returns from a GAO questionnaire to senior executives indicate a large number of them have strong concerns about proposals to limit performance awards and continue the executive pay freeze. Many said they had been misled and that, if these proposals are adopted, both SES and the Civil Service reform are a sham.

In order for the SES to be successful and to improve morale and productivity, it must be allowed to operate as intended. Therefore, I urge the Congress to allow SES bonus and rank provisions to take effect in fiscal year 1981.

In summary, I would like to say that I have long been concerned over inadequate salary levels, irregular pay adjustments, and distorted pay relationships for top Federal executives. I have continually pushed for an executive pay system which would make it easier for the Government to attract and retain top-caliber managers, to use their abilities productively, and to pay them according to their contribution.

I am concerned about the loss of our top executives to both retirement and private industry. However, the unrealistically low salary levels of our executives, combined with generous cost-of-living adjustments available to Federal retirees, leaves many Federal executives little choice, since the benefits are higher if they retire immediately. This would not occur if we gave our executives adequate salaries.

I believe that the returns we could receive from executive pay raises would far outweigh the costs. For example, a 6.2-percent increase for top executives would amount to about a $68 million increase in the Federal budget, or about one hundredth of a per-

cent of the estimated $600 billion Federal budget for fiscal year 1981. We must keep in mind that it is these executives who are responsible for administering this budget, and for managing the programs authorized by the Congress for the benefit of the American public; the potential returns we can all receive from their improved performances are overwhelming.

I would like to add a brief statement, Madam Chairman. I have been in the GAO now for 14½ years. I served for more than 20 years in the Bureau of the Budget, 12 of those as the Deputy Director of the Budget. I think I can say without much fear of contradiction that many of the problems which we in the GAO have uncovered in our reports go back to the basic point that we have too high a turnover among our top executives, we have too many inexperienced people there because of that turnover, and the small investment that we are talking about here would be repaid many, many times over if we simply had the courage to add something to the compensation for these top people.

Now, no one has ever suggested—certainly we have not—that we try to match the pay of the top people in Government to the pay of the top corporate executives in the private sector. That really is not what we are talking about. What we are talking about is to allow some reasonable adjustment to be made to take into account inflation and the added responsibilities that these people are carrying.

So I would hope very much that some action will be taken. Certainly we are pleased that you are holding these hearings, and we admire the fact that you have been willing to take some leadership in this area.

I would like to have, if I may, permission to put two things in the record. One would be a breakdown on the $68 million cost figure which I mentioned among the categories, and also we have been into some four or five agencies trying to do some case studies on the impact of this pay compression on those agencies in terms of recruitment and turnover. We would like, with your permission, to put those in the record.

Mrs. SPELLMAN. By all means.

[The information follows:]

ESTIMATED COST OF OCTOBER 1980 PAY ADJUSTMENT [1]

	Number of employees affected	6.2 percent pay increase
Vice president	1	$5,300
Executive schedule	511	1,871,300
SES	6,047	19,298,538
General schedule and related	8,470	27,193,644
Foreign service	1,205	3,976,500
VA-Department of Medicine and Surgery	3,143	10,248,324
Congressional	576	2,287,000
Judicial	912	3,427,300
Total	20,865	68,757,906

[1] Estimates informally developed by CPM for Congress.

SPECIFIC EXAMPLES OF RECRUITING AND RETENTION PROBLEMS

1. Environmental Protection Agency (EPA): (a) Individual selected to be Director of the Neurotoxicology Division withdrew his acceptance. This vacany has been unfilled for about 1 year; and (b) the Regional Administrator in Atlanta left for a higher paying private sector job.

2. Federal Aviation Administration (FAA): (a) FAA lost nine top executives with over 300 years of Federal experience in the first 3 months of 1980. These retirees included FAA's Senior E. ctronics Engineer, Chief of Systems Test and Evaluation Branch, Chief of the Aircraft Programs Division, and the Chief of the Flight Standards Division for the Western Region; (b) Deputy Federal Air Surgeon resigned to return to private practice; and (c) FAA had few well-qualified applicants for several positions: Two for the positim of Chief, Aircraft Services Branch; one for the Assistant Chief Counsel, Litigation Livision; one for the Chief Aeromedical Standards Division; and two for the Chief of Safety Regulations.

3. Department of Health and Human Services (HHS): (a) Sixteen top executives left in the first quarter of 1980. They had combined Federal experience of almost 500 years, and on the average had been in their positions for about 5 years. Most of these individuals were division and department heads or regional commissioners; (b) about 20 people declined to apply for the position of Deputy Assistant Secretary for communications and Planning because the salary was much lower than they were already making; (c) it took almost 8 months to fill the position of Director of the National Cancer Institute. Four individuals turned down job offers because of low pay. The previous Director went to a non-profit organization at twice the pay; (d) the Administrator of the health Care Financing Administration resigned to take a higher paying private sector job; (e) HHS is having problems filling the position of Head Actuary of the health Care financing Administration; and (f) the position of Director of St. Elizabeth's hospital has been unfilled for 7 months. Most well-qualified candidates are already making much more money.

4. Nuclear Regulatory Commission (NRC): (a) Four of the eight individuals filling executive vacancies received no pay increase with the additonal responsibilities; (b) only one well-qualified applicant was received for the position of Chief, Uranium Fuel Licensing Branch; (c) five announcements had to be sent out for the position of Deputy Director of Nuclear Regulatory Research in order to obtain sufficient well-qualified applicants; (d) a top geophysicist left for a private sector job with a 50 percent pay increase; and (e) the Chief of the Hydrology-Metrology Branch and the Deputy Director of the Safeguards Division left to take private sector jobs.

Mr. STAATS. I am afraid I have another hearing at 10 o'clock. If I may, I would like to leave Mr. Krieger, Mr. Hansen, and Mr. Miller to answer your questions, but if you have additional matters and you would like for me to come back I would be delighted to come back, because I feel very strongly about this subject.

Mrs. SPELLMAN. We thank you very much. We recognize when you say you have been with GAO 14½ years, is not 15 years the limit of time that you can serve by law? Do I understand that you may serve only 15 years in your position?

Mr. STAATS. The term of the Comptroller General is 15 years. It cannot be renewed, a provision which I thoroughly agree with, because it means that no one has a motivation or anybody has a perception of motivation that anything that you would do in this job would enhance your likelihood of reemployment.

It has been a great pleasure working with this committee and I hope there will be another opportunity to come back, but not on this subject.

Mrs. SPELLMAN. We are delighted to have had you here this morning. Thank you very much.

I note that Comptroller General Staats indicated that in his estimation the problem of pay compression for executives is one of the most important issues facing the Government today, which parallels what I was saying at the opening of the hearing. Also he feels it is virtually impossible to address national priorities and

Government costs without recognizing the responsibilities and the effect on this relatively small group of individuals.

I wonder if you would be good enough to elaborate on that statement. Tell us the approximate size of the group that is presently affected by the compression.

Mr. KRIEGER. Well, at the moment, approximately 20,000 of the Federal executives are at the ceiling. We do not have precise data. We could, however, furnish the committee with some estimations which were actually furnished us by OPM highlighting this.

I would like to revert back to what the Chair mentioned and Mr. Staats also reaffirmed, that it is basically this group who we charge with the management and execution of Government policies and it is this group that are responsible for the carrying out of the programs. We have entrusted them with $600 billion, approximately, of funds to manage, and I thought there was a vivid contrast in terms of the costs of rewards to that group versus the dollars that they are responsible for managing and the potential for good in terms of the achievement of congressional and public aims.

I also want to reinforce Mr. Staats' comment that neither we nor anyone else has advocated comparability in the sense of compensating this group at a rate commensurate with that which we see in the private sector, but equity and overall Government strategy to retain within Government the best talent possible dictates that adjustments be made.

Mrs. SPELLMAN. I am so happy we have this opportunity to discuss this when some of my colleagues are here, because I think just not enough emphasis has been placed on the relationship between these salaries and congressional salaries and what we are doing by linking the two, or if they are to remain linked, by holding down the congressional salaries. We just are not able to keep top-level people in the top-level positions and, as a result, all of our efforts to save money, all of the efforts to provide the kind of service we ought to be providing to the American people, are being subverted really by the few dollars that we are not expending for a good, good purpose.

You indicated that the President had already announced his intention to freeze executive pay this October. Could you tell us in what context he did that? I am not aware of it.

Mr. MILLER. He announced that during his budget revisions in March of this year and then subsequently announced it again in April, so he has made this pronouncement twice.

Mrs. SPELLMAN. Do you have anything in writing?

Mr. MILLER. I can get it for you.

[The following is quoted from the fiscal year 1981 Budget Revisions, March 1980 (p. 3)—"a freeze on basic salary increases for senior executive branch officials and members of the White House Staff."]

Mrs. SPELLMAN. Would you do that? We would appreciate having it submitted for the record.

Mr. MILLER. Yes.

Mrs. SPELLMAN. And would you also provide us with figures on the loss of purchasing power for Federal executives?

Mr. MILLER. Yes.

[The information follows:]

LOSS IN PURCHASING POWER OF EXECUTIVE SALARIES

Grade	Salary paid October 1969	Salary paid October 1979	Value of October 1979 salary in 1969 dollars	Loss in purchasing power (percent)
Level I	$60,000	$69,630	$34,475	43
Level V	36,000	50,112	24,811	31
GS–16/1	25,044	47,889	23,711	5

During October 1979 through October 1980, the price index has more than doubled from 111.6 to 225.4, but Executive Level I salaries have only increased from $60,000 to $69,630. In 1969 dollars, the current salary for Executive Level I personnel is worth $34,475, or a little more than half of the $60,000 they received in October 1969. This represents a 43-percent decline in purchasing power since October 1969. Salaries limited by the Executive Level V pay ceiling have incurred a 31-percent loss in purchasing power despite salary increases of 39 percent ($36,000 to $59,112) since October 1969. Salaries for grades which have only reached the pay ceiling in recent years have incurred small losses in purchasing power. For example, GS–16, step 1 lost 5 percent in purchasing power. However, future pay freezes will erode their purchasing power more rapidly since they will remain at the ceilings.

Mrs. SPELLMAN. You indicated that GAO sent out a questionnaire on the SES performance appraisal system. Could you provide us with a copy of that together with your findings?

Mr. MILLER. Yes, we can provide you with a copy of the questionnaire. However, these have not been analyzed and will be the subject of a report to be issued later this year.

[The questionnaire was not included in this hearing.]

Mrs. SPELLMAN. I noted with interest the statement made by Mr. Staats that England, Canada, and West Germany have separate pay adjustment for Members of Parliament and top civil servants, because their jobs have different responsibilities and, therefore, require different adjustments for equity.

Could you give us a special description or submit for the record a detailed account on how those systems operate and what surveys they use; how they go about making their decisions?

Mr. KRIEGER. We would be happy to submit it. If the Chair desires, we can go into it in further detail now or at a later point.

Mrs. SPELLMAN. If you would submit it we will study it carefully.

Mr. KRIEGER. Fine.

Mrs. SPELLMAN. We would also like to know about any other countries, or any other situations that you are aware of.

[The information follows:]

CIVIL SERVICE EXECUTIVE PAY IN FOREIGN COUNTRIES

1. UNITED KINGDOM

The Top Salaries Review Body was appointed in May 1971 to advise the Prime Minister on the pay of senior civil servants, the higher judiciary, senior officers of the armed forces, Members of Parliament, Board members of nationalized industries and other groups. The Review Body meets every 2 years to recommend new pay rates for each of these groups.

The philosophy guiding the establishment of civil service executive pay levels is that salaries should be sufficient to recruit and retain well-qualified individuals, and should reflect long term trends in wage levels and economic conditions in the country. The Review Body believes top salaries should be roughly comparable, but not competitive with top private sector salaries.

The Review body is supported by staff from the Office of Manpower Economics. Wage surveys and job comparisons are used to determine the pay adjustments necessary to maintain rough comparability and pay distinctions based on levels of

responsibility. The Review Body's recommendations are sent to the Prime Minister who makes the final decision on pay adjustments.

In 1975, some Members of Parliament (MP's) asked the Top Salaries Review Body to link MP's pay adjustments to those of civil servants. The Review Body rejected this request because MP's held unique jobs that could not be compared with any other jobs in the public service. The Body also believed that linkage would hold down civil service pay adjustments. They believed salaries for MP's should be sufficient "not to deter people of ability and energy, particularly those with family responsibilities, who would not be able to call on other sources of income, and to ensure adequate representation of the House of a wide range of social, occupational, and industrial groups".

The 1979 pay adjustments were quite large because for several years wage freezes had held pay adjustments below the comparability levels determined by a wage survey similar to our PATC surveys. This was because high inflation has resulted in an incomes policy which limited wage increases for all workers in England. These adjustments were phased in over an 18-month time period because of their size.

In July 1980, executive pay adjustments were approved retroactive to April 1, 1980. The average adjustment recommended for top executives by the Review Board was 19 percent, however, they received an average adjustment of 12.6 percent. Members of Parliament received a 9.6 percent increase.

Position	April 1979 salary	April 1980 salary	Percent increase
Under Secretary	$42,660	$48,585	13.9
Deputy Secretary	53,325	58,065	8.9
Second Permanent Secretary	61,620	67,545	9.6
Permanent Secretary	67,545	73,470	8.8
Super Secretaries [1]	73,470	79,395	8.1
Members of Parliament	25,418	27,848	9.6

[1] Head of the Home Civil Service, Permanent Secretary to the Treasury, and Secretary to the Cabinet. Average percent increase—12.6 percent. Average increase recommended by the Top Salaries Review Board—19 percent.

2. WEST GERMANY

Responsibility for determining the salaries of top civil servants rests with the Interior and Finance Ministries. By law, public service salaries must be reviewed periodically (usually every year) in light of economic and financial conditions, private sector wage data, and the responsibility of the position. New salary levels are approved by the Parliament.

Top civil service salaries are set below comparable private sector positions because of the good benefits package. Significant pay differentials are maintained between top civil servants to recognize different levels of responsibility and provide an incentive for advancement. Pay adjustments for Members of Parliament are not linked to civil service adjustments.

3. CANADA

In 1969, a Government commission recommended that the link between the salaries of civil servants and Members of Parliament be broken because they considered the responsibilities of the jobs different, thus requiring different pay adjustments.

The Advisory Group on Executive Compensation was created in 1968, and charged with civil service executive pay and benefits. The Group's recommendations are submitted to the Prime Minister who after considering current economic conditions implements the new salary levels he chooses by executive order.

The pay for Members of Parliament is adjusted every year by the average increase (up to 7 percent) in private sector wages throughout Canada as determined by labor statistics compiled by the Government.

Mrs. SPELLMAN. Are you aware of any States which pay top-level civil servants more than they do their elected officials?

Mr. MILLER. We did look at that and we did not find any State where the legislative members made more than the top civil servants.

Mrs. SPELLMAN. Including the State of Maryland?

Mr. MILLER. Well, I am talking about top administrative officials and as I recall is also true for the State of Maryland.

Mrs. SPELLMAN. Things must have changed. The Governor used to get less than almost anybody. I know he got less than the Lieutenant Governor and less——

Mr. MILLER. Most Governors do receive more than the top civil servants. I am talking about the legislators. But many of the State Governors make $50,000 or more.

Mrs. SPELLMAN. There are some who I think receive less than people who work for them.

Mr. MILLER. Yes.

Mr. KRIEGER. In all fairness, we should point out legislative officials in States generally do not function on a full-time basis.

Mrs. SPELLMAN. No, they do not. I really was thinking more of Governors who do, rather than the legislators who do not.

Is there anything in the law which sets up the Quadrennial Pay Commission indicating that the Commission must recommend an across-the-board raise for congressional, judicial, and executive-level personnel, rather than raises based on responsibilities.

Mr. MILLER. No, there is not. In fact, the 1976 Quadrennial Commission recommended different increases for executive level II and Members of Congress.

Mrs. SPELLMAN. 1976?

Mr. MILLER. The latest one.

Mrs. SPELLMAN. What did the Congress do about that?

Mr. MILLER. Well, they adjusted it and gave them both $57,500. They had recommended $60,000 for executive level II.

Mr. KRIEGER. You may recall that we characterized the link between executive and legislative pay as an informal link, which really had its origins in 1965, and the adjustments are considered in that context.

Mrs. SPELLMAN. It is my impression that GAO's basic contention is that our present compression of salaries for executives has virtually made the Federal Government a training ground for the private sector for top-level professionals. Would you say that is so?

Mr. KRIEGER. It has contributed to that and certainly, as Mr. Staats indicated, it has created not only the incentives for those who are eligible to retire to seek retirement as an avenue and move on to other positions, but even more significantly it has influenced the younger people whom we would like to retain within Government for a full career to look at this situation and make career judgments that influence their leaving Government.

It also naturally has an impact, although this is difficult to measure, in terms of Government being able to attract to it for lateral entry or relatively senior management positions, people who could make a difference. So it has impact internally within the Federal system and externally in terms of our ability to recruit and draw into the system those people who we need to manage the programs.

Mr. MILLER. I think another good indication of this is a questionnaire that OPM sent out to executives who had left the Government between October 1978 and July 1979, which showed 25 percent of them left for higher-paying jobs in the private sector.

Mrs. SPELLMAN. I think then that most of the items we wanted to have for the record we have asked for, and again I do want to thank you for your efforts in this regard.

I can recall looking at some very interesting charts back when I first came on the committee, and I have a feeling of deja vu, we are still there. I have been there before. Hopefully we will try to get the message across on what we are doing to our civil service by holding those salaries down, by capping the salaries. It is really most unfortunate, and I truly think that Members have not been given the opportunity to think about it. If they did, I trust they would act differently.

Thank you very much.

Mrs. SPELLMAN. Mr. Dornan, we are very happy to have you here to testify about your legislation. I trust that having heard some of the discussion that we had here before you will be helping us with trying to do what needs to be done?

STATEMENT OF HON. ROBERT K. DORNAN, A U.S. REPRESENTATIVE FROM THE STATE OF CALIFORNIA

Mr. DORNAN. I will try, Madame Chairperson, and I believe that the best thing I heard this morning is that some of these major fundamental differences of opinion that are the thrust in this issue are best hammered out in the committee room than with some of the histrionics that we see on the floor of our great chamber. But let me give you my thoughts and then let us have a good heart-to-heart discussion here, and if a few sparks fly maybe it will elucidate some of the differences in approach.

Inflation has wrought havoc with the economy for years. Excessive Government spending has created continuous budget deficits—deficits which have caused a rapid expansion of the money supply and have resulted in a shrinking dollar. The primary source of this chain of events is the Government body with sole power under the Constitution to spend taxpayers' money, Congress.

It is our branch of the Government, Madam Chairwoman, which is primarily responsible for the inflation which is destroying the public's hopes for the future. It is no surprise that confidence in Government institutions, particularly Congress, is declining.

Public Opinion magazine this month analyzes surveys taken by Louis Harris & Associates and the National Opinion Research Center between 1966 and 1979. The surveys measure public confidence in 10 major institutions and correlates these measurements with the rate of inflation at the time of the survey. Results show that inflation had a significant negative impact on public attitudes toward only three institutions: the executive branch, major companies, and Congress. To quote from the conclusion of authors Seymour Martin Lipset and William Schneider:

> The evidence indicates that the high inflation of the last three years has introduced a new and relatively unknown element into the situation, namely, pessimism about the future * * * the United States enters the eighties * * * with less confidence in the ability of its leaders to deal with the problems of the polity, the society, and the economy than at any time in this century.

In short, what we have is a crisis in confidence.

I strongly believe that Congress must demonstrate to the American people its commitment to controlling inflation. In our budget restrictions this year, we have recommended cuts in many pro-

67-282 O - 80 - 3

grams, notably limiting cost-of-living increases for Federal retirees. If the people we serve are to "bite the bullet," it is only just that those who caused their economic grief should receive less as well. For this reason, I have introduced two bills which will show to the American public that Congress is sincere in reducing spending and fighting inflation.

H.R. 4560, the Federal Salary Control Act, would reduce the salaries of Members of Congress and certain executive branch officers if inflation is not controlled. Basically, the bill would decrease salaries by the rate of inflation as measured by the Consumer Price Index for the preceding calendar year. If projected maximum inflation rates were met, however, no salary reduction would take place. The legislation includes the following provisions:

Between 1982 and 1985, salaries would be reduced by the rate of inflation unless the percentage increase in the Consumer Price Index for the preceding fiscal year is less than 7 percent;

Between 1982 and 1985, if the inflation rate is below 7 percent for the preceding fiscal year, no penalty attaches and salaries would remain at present levels;

Beginning in 1986, Congress would have to keep increases in the Consumer Price Index below 2 percent or salaries would be decreased by the rate of inflation;

Regardless of any provision in the bill, congressional pay rates would never be reduced below $42,500, and the salaries of executive branch officers would never fall below $32,000.

The bill would affect those executive branch officers who are appointed by the President or by the head of an executive department and presently earn at least $40,000.

While the legislation does end the automatic pay increases created by the present law, it would permit raises if the Consumer Price Index does not increase by more than 2 percent for 2 consecutive years.

My more recent legislation, H.R. 7801, is much more direct. It would, if enacted, cut the salaries of Members of Congress and high-level civil servant executives by 5 percent. The total amount of revenue saved by this bill is relatively small. The reduction in congressional salaries alone would amount to $1,622,722. The real significance of this legislation is not in the money it will save the taxpayer, although this is important, but rather in the message it will send to the American people—that their representatives are willing to sacrifice along with them in order to fight inflation.

Really, Madame Chairwoman, that is the message of both bills, and I think it is one that Congress needs to send to the Nation in addition to sending to itself. The American people hold their leaders responsible for the state of our economy, and I must agree with them. If we are to restore Congress credibility and respect, we must take some direct action this session.

In preparing to appear before the committee this morning I fortunately opened up U.S. News and World Report, the issue through the date of August 4; the one that came to our offices yesterday. There is a large segment on a "Profile of Federal Workers," and although I have always got along well in 4 years with Mr. Staats and found that his office was of tremendous assistance to the conduct of my congressional office, I think that this article that

begins on page 38 gives a different thrust to the argument that Federal workers are suffering intensely. They are certainly not suffering in direct proportion to the way the average American taxpayer is suffering, and I say that as an acknowledged conservative in the House.

For the best of reasons the leadership of our Congress has tried to do everything for everyone at every turn. Whatever plan came down the pike, whatever was suggested by anybody, starting with President Johnson and the Great Society, we did it, we printed money, we deficit spent, and the country is suffering. As the leading Nation in the free world we are pulling the economy of other nations down.

Federal workers at the highest level, those appointed by the President and those of Congress, simply must bite the bullet. It is not demagogic when some of us who really believe this in our bone marrow will fight for a reduction in our pay of 5 percent, or this dream bill of tying our damnable salaries to inflation, because, Madame Chairperson, this Congressperson is convinced that if our salaries are directly tied to inflation, inflation will end in the United States of America. We are the money house with the power of the purse. We have crushed with an overwhelming burden the American taxpayers.

The rich know how to fend for themselves in that dog-eat-dog world of big business. They have lawyers on retainer, so when they fight for and look for and lobby for their tax loopholes, the lawyers are there. But my older brother with his five sons, and my own family do not have this advantage. The limitation on my pay here for other skills that I could use to augment my salary prevents this. Yes, my buying power has gone down. And so what? I am a Member of a body that is crushing the average American who still makes less than $12,000 a year while the average Federal worker makes $18,511. I am not impressed with the level of suffering in the States of Virginia and Maryland and the District of Columbia which everyone concedes is a recession-proof area. For the last half of the century when the rest of the country was suffering we hired more consultants in this region to figure out how to alleviate the suffering that in many cases, not all, began here.

I would hope that through a series of witnesses here you would be able to hammer out some of the fine points of the Federal salary debate, so we do not see a part of that demagogery that goes on only in election years. Very few Congressman, only those in so-called safe seats, can go home and convince their constituents, the taxpayers, that they are working so hard that they just absolutely must have a hedge against a loss of their buying power. The American taxpayer, in the last 2 years, more than at any other time in two centuries, has come to build that nexus of logic and common sense between printing funny money, due to runaway deficit spending here in the Federal City and its effect on the average fixed income, the average lunch-carrying worker's paycheck.

The American people have carefully figured out this connection over the last 4 years and I think if Congress is going to regain the confidence of Americans, if it is going to bring itself back up over the level of disrespect that it suffers now, it ought to do it by biting

the bullet. A 5-percent pay raise is not going to kill most Members, particularly if they use a little common sense.

We want quality people in Congress. The $8,000 limitation on outside income discourages their running for office. Except for the sons and daughters of millionaires who come here with their stock dividends successful, hard-working people are penalized by this ineffective rule. As was intended when this country was formed, we should allow Members to earn a little outside income to support a large family or a second home in Washington, D.C., while they serve in the Congress of the United States.

I resent talk about demagogery, Madam Chairman. I resent deeply that in my first year, I was asked to vote for a so-called ethics bill that limited my outside income in this House, while a $5,000 slush fund for our offices was thrown into it. That pre-Abscam ethics bill was a farce. I noticed only 22 of us voted against it and it is coming back to haunt many Members now. The year is only half gone and I am within a few dollars of maxing out my income limitation as a Congressman. There are more ways to give relief to the suffering Congresspeople than by raising their Federal salaries. I think a 5-percent pay reduction would be a great symbolic gesture in addition to saving less than $2 million for the taxpayer. I think if we put it to a plebiscite in the country you would see it would win overwhelmingly, given the anger of the American people at their Congress.

End of formal remarks and speech.

Mrs. SPELLMAN. Have you any advice for us, or are you at all concerned about the matter of compression?

Mr. DORNAN. I understand the matter of compression and I followed with great interest, and will reread Mr. Elmer Staats' remarks this morning. I know there has been a loss of some quality people coming to the Federal City to work for their fellow citizens.

However, I also heard the word "dedication" used this morning. When this Congress was first formed, people rode here on horseback from out in the frontier and only suffered a few months. They managed to get their work done, as most State legislatures still do, within the first 3 months in the year. The minute the humidity set in everybody headed home, back to their State governments, which had been more important during the first century of this country. I think as bad as compression may be, it is a lesson to people that confidence is lost in the Federal Government.

Another line used this morning was that many people are being driven to private industry. Since government produces nothing, since government has very little to do with the gross national product or productivity in this country, I do not think it is such a shame some of the most talented men and women in this country go into free enterprise, where they are creating something. However, I believe—I am not being partisan in this—I think all the polls show it—I believe under a new administration, with the former Governor of the most populated State, Ronald Reagan, we will see corporate executives—Alexander Haig—making almost $½ million a year—I believe you will see him take a cut of 90 percent to come back to work for the Government because he is so terrified at where we stand in the world today.

There is no trouble getting dedicated people to work for peanuts at the highest levels of government if they feel that they are going to have some effect on turning around the history of their Nation. The loss of confidence at the highest levels in our Government runs deeper than the problems of pay raises that are not there and compressibility.

Mrs. SPELLMAN. I have worked with dollar-a-year men many, many years ago, spare me—obviously you feel that cutting the salaries of the top, anybody earning——

Mr. DORNAN. Appointed by the President and earning over a certain salary figure, and Members of Congress.

Mrs. SPELLMAN. I see. We shall continue to seek answers, and do thank you very much for your testimony.

Incidentally, I frankly do not care—I said that in my opening statement—whether Members make more or get less. I happen to be one of those fortunate people who has a husband who thinks he has to support me. He has not heard about women's liberation and thinks he has to provide a roof over my head and food and clothing. As a matter of fact, the pay increases that we got, I think over $15,000, I have hired additional staff with my money for that, so, I am really not that concerned personally.

I am concerned, however, about the kind of a Congress we might get if we make it difficult for people to be able to afford a home back home and the home they have to live in here, and the transportation for their families back and forth. I do not even have that, you see, I am ahead of all of you. I live in my own home and I do not have the transportation problems. But I am concerned about that, and I am concerned that we might have the kind of Congress composed of the type of people, some of you have described: the people who can just clip the coupons and who do not know what a depression is, and who never have to worry about shoesoles wearing thin and having to put paper in their shoes, and who just do not understand everyday people's problems. I am really very concerned about that. And if we make it too difficult for Members to be able to survive then again those, the most talented of our Members will decide that it just is not worth trying to hack it and will go on off to do other things.

So as I think about your bill, I must say I also think in those terms.

Mr. DORNAN. Well, Madame Chairwoman, if I may end on a positive note. I believe from having served with you for 4 years that you would be one of those people who would come irrespective of the pay level out of a sense of dedication. I would hesitate to say publicly what I would suffer in pay cuts, how low it would get, down into the 30's, before it would break my back and I would leave. I know I would lobby to increase my ability in communications, to make more money, beyond this 8 or 9 or whatever it is now that I am already maxing out with half the year gone, but I would suffer a great deal to be here because my pleasure is in serving.

I look at it just as I look at my 5 years in the Air Force; it has nothing to do with being wealthy. I know everyone who retires from here can go out and command $100,000 a year as a lobbyist because corporate America is so upset about government overregu-

lating. Tom Rees who retired from the Beverly Hills seat next to me after 10 years gets more than that. Most of us, even with this difference of opinion on what really is the root cause of inflation, serve because of dedication. I think that the locking in of 15 percent on outside income was more restrictive to talented and ambitious men and women who want to serve. It deterred them from coming to this House, as did other factors far more important than the basic pay rates. I know that the small amount of money I am talking about saving in the bill is not nearly as important as the symbolic effort to return some respect to this body where Americans would say, "The Congress is taking a pay cut, their first since the Depression, and maybe they really are trying hard."

I appreciate your dedication and I hope people realize this is a sincere effort on my part to restore respect to this institution. I have thought about it since the day I came here. I arrived without being aware a pay raise was waiting for me, because I had not followed it carefully in the year 1976. I was too busy campaigning, talking about cutting the cost of government.

Mrs. SPELLMAN. I thank you, and I do want to thank you for your totally nonpartisan statement.

Mr. DORNAN. Thank you.

Mrs. SPELLMAN. I understand the Members came in this order. Congressman Lederer, 3rd District of Pennsylvania. Happy to have you.

STATEMENT OF HON. RAYMOND F. LEDERER, A U.S. REPRESENTATIVE FROM THE STATE OF PENNSYLVANIA

Mr. LEDERER. Thank you, Madam Chairman.

I would first like to thank Mrs. Spellman for holding these hearings. I certainly appreciate this opportunity to testify in support of my bill, H.R. 5717.

This legislation mandates that any adjustments in the rates of pay for Members of Congress shall take effect at the beginning of the Congress following the Congress in which the adjustments are approved.

I feel very strongly about this issue. Some Members of Congress contend that they deserve these pay increases, and thus feel justified in voting in favor of raises for themselves. While I appreciate these arguments, I do think that the impression such actions have on our constituents are less than favorable to the Congress.

As Members of Congress, we are only too aware of the long hours that this job involves. To us, the instances of voting for a pay increase are infrequent. However, to the general public each action by the Congress which results in a pay increase for Members only serves to earn more enmity for the Congress.

The people perceive the Congress as a place where you vote for a pay raise every time you need one. You know that that is not true. But that is the way these pay raises are seen by the general public.

Under my legislation, Members would not be able to get a pay raise until the following Congress. Some Members might see this as being unfair, but I do think that it is a more responsible way of legislating pay raises for ourselves.

If there are any questions I would certainly be glad to answer them.

Mrs. SPELLMAN. Thank you very much for that statement.

I have felt for a long time that that is the way we ought to be going, a Member votes and then stands before the public and is judged.

Mr. LEDERER. I feel strongly that when we come here we know what our salaries will be, at least for a 2-year period, and it is a way of telling the general public what it will be in the next 2-year period.

Mrs. SPELLMAN. Exactly. Then anybody has an opportunity to run for the job and to get the salary that will be coming up in the next 2 years. It makes very good sense to me.

Would you think if there were some way, if we could find some way, to take Members out of that decisionmaking process, that might be a way to go to——

Mr. LEDERER. I would be against that, having been in the Pennsylvania Legislature before I came here, and they have a Meritorious Pay Commission, which is really appointed by the leadership of the legislature. I think that when we come to the Congress we know the trust the people put in us, and to use a better example than the Governor of California, Harry Truman once said if you can't stand the heat get out of the kitchen.

Mrs. SPELLMAN. Right. We thank you very much for your testimony here this morning.

Congressman Harkin.

STATEMENT OF HON. TOM HARKIN, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. HARKIN. Thank you very much, Madam Chairwoman.

Mrs. SPELLMAN. I have special affection for him because he is a Member of the 94th.

Mr. HARKIN. That is right. I would just add that the affection is mutual.

Madam Chairman, thank you very much. I do not have a prepared statement, and I will be very brief.

My proposed bill, H.R. 5566, is the same, I believe, as the one just described by Mr. Lederer. I have not read his bill, but it sounds like basically the same, but would put off any pay increase until after the next election for Representatives.

Let me, if I could, and perhaps you are already aware of this and the other members of the subcommittee might be aware of it; I would like to put in historical context. The proposal to put off any pay increases until after the next congressional election was first proposed by James Madison in 1789. The Congress adopted his first set of proposals, which included 12 amendments, which would have been the original Bill of Rights. The first two amendments were not ratified by the States. Six of the States adopted them. The first two amended and four did not. The four that did not were New Jersey, New Hampshire, New York, and Rhode Island.

The second amendment read as follows: "No law varying the compensation for the services of the Senators and Representatives shall take effect until an election of Representatives shall have intervened."

That was in the original Bill of Rights. However, four States rejected that proposal. I mentioned them: New York, New Jersey,

New Hampshire, and Rhode Island. New York and New Jersey have since seen the light and their State constitutions now contain a similar provision. So I believe that the drafters of the Constitution and of the original Bill of Rights saw the problem of how you raise Members' salaries and still maintain the public trust and confidence. What they said was that Members ought not to raise their own salaries, but some way should be devised—they did not specify there had to be a vote, there could be a Quadrennial Commission or something else—but whatever device was effected, that that pay raise would not be for the Members of Congress but it would be for Congress, the next Congress, the one elected by the people. They could see the inherent conflict of interest that might arise, or at least the appearance of a conflict of interest, if I as a sitting Member voted to increase my own salary during the term for which I sat.

So I am not so much involved, not so hard and fast on exactly how it is done, but however it is done, whether through a meritorious pay commission or through a vote in the House of Representatives, I believe we ought to go back to the Founding Fathers and adopt that second article proposed by James Madison that there has to be an election of Representatives intervening before that pay raise would take effect. That way, if it was a vote, in the House, for example, I would be voting not to increase my pay, but the pay of whoever the people would elect the next time. It might be me, it might be my opponent.

Mrs. SPELLMAN. The pay for that office, not your pay, but the pay for the office?

Mr. HARKIN. That is right.

Mrs. SPELLMAN. I think that makes very good sense.

Mr. HARKIN. I think it would again give that kind of public confidence and maintain that trust that, of course, we are elected to uphold and maintain. I think that by doing that, you separate it out from the problems that you in your opening statement talked about, the compression of the senior executives, and get away from all of that. However it is done, make it go into effect after the next election. I think you diffuse a lot of demagogery that goes on, a lot of speeches that go on day after day on the floor of the House of Representatives. Quite frankly you would find that if it were a vote, and if it were by open vote of Members of the House, you would find many of us, for example, myself, I never voted for a pay increase because of this problem that I have, because it is voting to increase my pay. So I have not accepted those pay increases until after the next election. Then I would accept a pay increase. I think you will find a lot of Members might feel similar to that.

That is all I have to say Madam Chairwoman.

Mrs. SPELLMAN. I learned something that is interesting history.

Mr. HARKIN. The Founding Fathers actually saw that problem and tried to put it in the original Bill of Rights, and because of four States who did not ratify it—and the problem according to my historical research, the reason they did not adopt it was not because they were opposed to it, but those four States felt that the States ought to set the salaries of Representatives, not the U.S. Government, not the Federal Government. So it was for a different

reason that they did not ratify it. Two of those States have since put it in their State constitution.

I might point out one other thing. Twenty-seven States now have it in their State constitutions, that any pay increases for Members of the legislature will take effect after the next election.

Mrs. SPELLMAN. Thank you very much.

Mr. HARKIN. Thank you very much.

Mrs. SPELLMAN. Mr. Tauke, the Second District of Iowa.

STATEMENT OF HON. THOMAS J. TAUKE, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. TAUKE. Madam Chairman and members of the subcommittee, it takes considerable restraint not to comment on some of the testimony offered earlier by my colleague from California.

Mrs. SPELLMAN. It took even more restraint on the part of the Chair.

Mr. TAUKE. I noticed that. But in the interest of time, I will confine myself to my prepared remarks and any questions that the members of the committee might have.

I am pleased to have the opportunity to appear before this subcommittee to discuss the issue of congressional compensation.

The question of congressional pay reform has been a particularly "hot issue" during the 96th Congress. It has not only stimulated controversy among Members, but it has also created a bad image of Congress in the eyes of the American public. Vast criticism has been heaped upon Congress for the chaotic and complicated way that the body handles the issue of salary adjustments.

Therefore, to help simplify and clarify the whole question of congressional wage adjustments, I introduced legislation entitled the Congressional Pay Reform Act, H.R. 5759.

This bill includes three major components:

One, it defers congressional pay adjustments until the beginning of the next Congress, a provision discussed in the testimony of my colleagues who testified previously.

Two, it requires a recorded vote in each House for annual congressional pay adjustments.

Three, it provides that congressional pay questions be considered independently of other appropriations bills.

The Congressional Pay Reform Act would not only prevent Members from voting for a pay increase for themselves while they are still on the public payroll, but it would also require each Member to take a public stand on salary issues. At the very least, we owe this to our constituents.

In addition, the bill would free the question of salary adjustments from the entanglement of other appropriations bills and would preclude Federal agency appropriations from being held hostage to congressional pay increases. Moreover, automatic cost-of-living increases for Federal judges and top-level executive branch Government officials would not be tied to congressional wage increases.

The issue of congressional pay reform has been a source of debate and controversy for many years. The time has now come for Congress to act to end this institutional embarrassment. The Congressional Pay Reform Act would not only provide us with a

67-262 O - 80 - 4

simple, yet effective, way to accomplish that objective, but it would also assist us in preventing the interruption of the normal operation of the Federal Government.

If you have any questions, I will be more than happy to answer them.

Mrs. SPELLMAN. The bill seems to be quite straightforward and spells out the fact that Congress wants to be accountable.

Mr. TAUKE. I might observe before coming to Congress I served in the Iowa Legislature, and in that body we did have a system whereby we had recorded votes on pay raises. The raises did not take effect until the next legislature convened, and it was a very pleasant system in contrast to the system that we have here in Congress. I found, too, that I did not face the ire of my constituents when I voted for a pay increase. The year that I left the State legislature, the members, including me, voted for a 50-percent increase in pay to go into effect in the subsequent legislature. Yet, there was no outcry from my constituents. I was able to win election to this office despite that vote. A similar system would remove much of the political difficulty that we have in making decisions that I think need to be made.

I have observed during the time that I have been here that I am fortunate in the sense that I am single and do not have the family obligations that——

Mrs. SPELLMAN. Just the one who tried to change that for you——

Mr. TAUKE. I thought it was the other gentleman from Iowa. I think that that situation makes it much easier for me, but I know that there are Members of Congress who have a great deal of difficulty making ends meet. I also share the same concern that you do, that if we do not provide adequate compensation for the Members of the body, or for the top-level executive officials, we are going to lose quality people. That would be unfortunate for the Government, it would be unfortunate for the country, and I think in the long term it would not help solve our management problems at the Federal level. Moreover, it would not make the Government more efficient or hold down inflation in the long term. It would just augment those problems and make them worse.

Mrs. SPELLMAN. You have lived with the system. Are people afraid to vote for the increase for fear they will have to face the electorate, or does it free them from that, since they are voting for a salary for a position, a salary for an office rather than for themselves?

Mr. TAUKE. I do not know that it makes a great deal of difference in terms of the political ramifications of a vote, but it certainly makes it easier for Members themselves to cast those votes recognizing that they are not voting for an increase in salary for themselves. I think it is probably a nuance that is much more significant to the Members of the body than it would be to the general public, because I do not think that it is something that would probably be adequately explained or probably understood by many members of the public. I do not think it takes away all the political problems with voting for a pay increase, but it certainly helps.

I also think that members have an easier time justifying the position that they take. I feel on this vote or any other vote that if you have the opportunity to stand for election and you have the chance to explain your position on an issue, if people want to replace you, they will. That is the system. If they want to keep you and endorse what you have done, then that is a very fine statement, about your activities.

Mrs. SPELLMAN. You were here, I think, when we discussed compression?

Mr. TAUKE. I was not here when you initially discussed it, but I think I understand.

Mrs. SPELLMAN. The linkage between congressional salaries and those of top-level Federal employees has caused compression at the top, so that we have the top of grade 15, grade 16, grade 17, grade 18, all right there receiving the same salaries. There is no incentive for people at the top to do a better job or for people to take positions of responsibility for the salaries will be the same. We are losing our very best minds, they leave and go elsewhere where there is room for recognition and improvement.

Would you be willing to separate the salaries of the Congress and the bureaucracy?

Mr. TAUKE. That is one of the provisions of the measure that I have proposed, and I think it is essential that it be done. I do not understand why there needs to be a relationship between the salaries of Members of Congress and people who are serving in the executive branch of Government. It seems to me there is a certain institutional arrogance about that kind of linkage, and I think it is most unfortunate in terms of management at the Federal level.

It also puzzles me that some of my colleagues who are most anxious to see Government run in a businesslike way, are the ones who most often try to hold down the salaries of those in top management positions in the Federal Government. When you look at businesses, if they are running into trouble, oftentimes they make an investment in better management so that they can improve the operation of the business. Clearly if there is any institution that needs improvement in its operation, improvement in management, improvement in efficiency, it must be the Federal Government. I do not think we do ourselves any favor or increase the efficiency or the good management of the Federal Government by attempting to hold down unreasonably the salaries of the top managers in our Government.

Mrs. SPELLMAN. Mr. Corcoran.

Mr. CORCORAN. Thank you, Madam Chairman.

We have received very convincing evidence that it would be desirable to make the effective date of any change in compensation for Members of Congress occur in the Congress after the vote would be taken. I certainly support that. However, I think the only acceptable way of providing any change in compensation is through the so-called Quadrennial Commission. This could present technically a different problem from that which you faced in the Iowa Legislature, and I wonder what your recommendation would be on the effective date of any compensation increase voted for by the Congress. Would you want this increase to take effect in the succeeding Congress or in some Congress subsequent to that.

Mr. TAUKE. It occurs to me it should take place in the succeeding Congress. If, for example, this year we voted for a pay increase, it should take place January 1 or January 20 of next year. Otherwise the lag would be very substantial, and especially in times of high inflation, it might be difficult to anticipate what a reasonable and justified salary adjustment would be. So I do not think that the delay should be more than to the subsequent Congress.

Mr. CORCORAN. I appreciate your comment on that. I wanted to raise the issue for the record, and get your reaction. In the event that we take action to report out a bill, we will need to deal with this particular aspect of the pay problem.

I thank you.

Mr. TAUKE. I just might observe that the pay commissions at the Federal level as well as the one we had at the State level really turned out to be almost window dressing. It might help justify a vote because they usually come in with recommendations that are substantially higher than what the Congress, or in the case of the Iowa Legislature, is ever willing to adopt. I am not certain of the merits of those kinds of commissions in terms of congressional or legislative salaries. I think we should vote on salaries and face the music, if you will. I really think the American people are very reasonable when it comes to things like this. We can justify appropriate salaries for the Members of Congress.

Mr. CORCORAN. At present, the law requires a rollcall vote. What I was referring to is the choice of adjusting compensation for Members of Congress via either a cost-of-living adjustment or an adjustment pursuant to the recommendations of the Quadrennial Commission. I personally oppose automatic cost-of-living adjustments vigorously, because I do not like the idea of Congress voting to protect its Members against the ravages of inflation when, in my view, much of that inflation is traceable to decisions that we make. Eliminating this option leaves us with the only other choice the Quadrennial Commission or some other outside agency of Government that would review compensation—all elements of the compensation, not just salary—and make recommendations to the Congress. This creates the technical problem of just when we would want to make that 4-year recommendation effective. I tend to agree with you that it ought to be in the succeeding Congress.

Mrs. SPELLMAN. Two things occur to me. One, I hear over and over again that Congress creates the inflation, makes the decisions that bring about inflation, and I am reminded of the fact that when Congress decided at the beginning of this year we are going to balance the budget, come what may, all of the rhetoric and all of the editorials switched and they said big deal, Congress is going to balance the budget, so what will that do, it will only affect the inflation rate of about one-half of 1 percent. So I guess maybe we do not control as much as we would like to think we do.

I have been sitting here saying to myself, this is such a good idea, remembering that I proposed it some 4 years ago, then why have we not done it, and it just occurred to me why we did not do it. There is a problem, and maybe you have the answer to that. Despite the fact that we might vote for a pay increase for the next Congress, when the appropriations process comes along, that is where Members pick it up to demagog.

How do we keep this from getting into the appropriations process? We cannot bind the next Congress by voting on it right then. It has to go to the next Congress, and the next Congress picks it up, and you have a Member saying "By golly we are not going to do these terrible things to the public," and we are right back into that mess, and that great opportunity for making headlines back home.

How do we avoid that?

Mr. TAUKE. I haven't given that a great deal of thought but I see the problem that is raised. I hesitate to breathe the word "entitlement" but maybe we should look at some kind of entitlement for these kinds of things in order to make a process like this work.

Mrs. SPELLMAN. I think maybe a group of us might put our heads together to see if we can come up with a way to avoid that step, because that is the step that creates the problem.

Mr. TAUKE. This is the difficulty now. There are so many different ways to approach the issue. We should have a straightforward way of dealing with salaries, where we would have a rollcall vote so that we would not have to go through all of the parliamentary maneuvers and political games in order to try to get a vote on the issue. It seems to me that would be the best way to handle it and avoid a lot of difficulty.

Mrs. SPELLMAN. Make it a privilege.

Mr. TAUKE. I certainly would not want to be a partner to any proposal to limit debate in Congress.

Mrs. SPELLMAN. We only allow those speeches that we approve of.

Mr. TAUKE. I might make one observation also. I differ somewhat with those, including my friend and colleague of the minority, who argue that the congressional pay schedule should be used as a way to penalize Congress or Members of Congress for acting improperly. That is why we have an election system.

If the people of the country believe that we shouldn't spend as much money in Government as we do, then they ought to elect Members of Congress who reflect their views. We have to rely on our electoral system to solve some of the problems, rather than try to come up with what I think is a rather dubious proposal, to tie the salary adjustments in some way to inflation in order to penalize the Members of Congress for the policies that they have pursued.

If Members are honest and are representative of their constituencies, then they are probably doing a good job. At least, the results will come as the constituencies want them to.

Mrs. SPELLMAN. I can't thank you enough for your testimony. It has been very enlightening.

Thank you.

Mr. TAUKE. Thank you.

Mrs. SPELLMAN. Mr. Jacobs, 11th District of Indiana.

STATEMENT OF HON. ANDREW JACOBS, JR, 11TH DISTRICT OF THE STATE OF INDIANA

Mr. JACOBS. Guilty as charged.

Mrs. SPELLMAN. Mr. Jacobs has been guilty of a number of things lately. I am almost afraid to find out what you are proposing here.

Mr. JACOBS. I am afraid to find out what you had found out that I am guilty of, Mrs. Chairwoman.

I was called to testify concerning a bill that I introduced some time ago which did not provide a penalty in terms of salary adjustments against Members of Congress, but instead, provided an incentive in terms of schedules for Members of Congress. It simply provided that the pay for Members of Congress would be $44,600, and for each $1 billion paid off on the national debt the preceding year, an increment, an incentive you might say, of $1,000 per annum would be added to the Member's salary to the maximum, I think of about $48,000 in the case of us rank and filers, and I think maybe $60,000 for the minority leader and $70,000 for the Speaker of the House.

One thing I would like to say for the record is that as I look about my civilization, my society, my country, I observe that most of the high salaries are received by people who are entrusted to look after other people's money. It is true in Government, it is true in the export world, with the astronomical salaries, some ranging up toward and beyond $1 million per annum. These are public servants also, public servants to vast groups of stockholders and corporations. In the universal world, in a sense, there is a public service there.

I would suspect, in fact, I think I have had it confirmed, that the vast majority of people who fly first-class cabin are not paying for it themselves, not out of their own pocket, perhaps deducting it, but nothing beyond that.

I always liked that cartoon that showed the limousine driving down the street with a sign on it that read "Not in politics, just rich."

It bothers me a great deal I think that we have come a long way from the privations of Valley Forge in the Federal operation of ourselves here, privations when we come to the place where Members of Congress are entitled by law to a salary of some $60,000, which places Members of Congress in the financially highest 1 percent of income of all citizens of this country, which is to say the servants are drawing a higher income than 99 percent of the masters.

I don't think we should talk so much really even about my bill as an incentive, or a bill that was talked about earlier here today, as a penalty to Members of Congress but look into the question of whether or not Washington hasn't become velocitized.

By the way, I am glad that the chairwoman of this committee—I am glad it is Gladys Spellman. I would like to say that for the record.

That is a term used in traffic safety. Here is what it means. In the old days anyway, or maybe the new days, if the 55-mile-an-hour speed limit should be repealed—in the old days when you whizzed along the highway and aimed your car at say 75, 80 miles per hour, you would suddenly come into a small town and the speed limit would be 40 miles an hour and you would think we are going 20 miles an hour, whereas in fact you were going 5 miles an hour. That is the concept of being velocitized.

Now we come over here and have the responsibility of billions of dollars, some of which are necessary Federal spending, some of

which are not necessary Federal spending, but we also have the opportunity to live well, and I guess what we would counsel the Congress and the country to consider is that, OK; live well, but at least be modest about it.

The Members of the Parliament in England, draw salaries on the order of $20,000—what we would call $20,000 or so a year—a few more dollars for those in the hinterland away from London, and prices on most items there are much higher, certainly currently, than they are in the United States. So the only thing I would add is the word of the peasant lady to the woman alongside of whom she was standing in the story of Dr. Zhivago—my nephews call it Dr. Chicago—when the great revolutionary general, Strelnakov thundered by in his armored locomotive, painted red, and the peasants in the sidetracks shouted his name, "Strelnakov," and the one peasant lady said to the other, "They say he eats the same rations as his men."

That is something I think for all of us to reflect about, and in varying degrees I think we all from time to time forget what it was all about.

I just want to say one other thing for the record. This is the first chance I have had to say it for the record. One of your earlier witnesses, the gentleman from California, Mr. Dornan took it upon himself a few months ago to invoke my name in a congressional debate on the subject of pay raises. He asserted falsely that when I had turned down the 41-percent congressional pay raise in 1969, that the voters of my district rewarded me by returning me to private life by voting me out of Congress. That statement is untrue.

In the 1970 general elections, I was returned to the Congress by the highest margin I had ever received until then. I lost the election in 1973, but there were two intervening factors. One was the serverest gerrymander in the history of the State, employing some $65,000 worth of computer run to be sure the job was done thoroughly; and two, was the candidacy of George McGovern vis-a-vis the candidacy of Richard Nixon, coupled with a mandatory straight party lever where I ran.

I thought it would be nice to straighten out the record someplace for someone on that.

Mrs. SPELLMAN. I thank the gentleman very much for his testimony.

Are you concerned that with the proposal you are offering—I am asking a question that I asked of a previous witness—that we would attract to the Congress only those who had their own incomes and, therefore, a wealthy group of people, or maybe those who couldn't possibly earn as much anywhere else?

Mr. JACOBS. Yes, I think that is a possibility. I think there are a few of them around here now. Maybe I am one of them. That is for others to judge. It seems to me that that is something you ought to take into consideration while you are taking into consideration that young men so far have been asked to go forth and die for their country, at very, very limited salaries.

When I was in combat, in the Marine Corps I believe they paid us $65 a day, but just once a month. I don't think that is the principal motivation for service in Congress—it is not the principal motivation of the chairwoman of this committee as stated earlier

on this record—and I don't know an awful lot of other people who find it as their principal motivation.

By saying that, I don't mean to say an awful lot of Members would make more money in the private sector. There is the evidence 99 percent of the rest of the country does not make as much as the congressional salary, but I do think that we are wide of the mark and I will tell you how we got wide of the mark. Precisely the 1969 pay raise that I mentioned, the first quadrenniel report—by the way, that report is made by, you let me pick the committee and I can determine what that report is going to be, and they picked a committee pretty much for the export world.

In 1969, they raised the congressional pay 41 percent and the cost of living had gone up during the 4 years something like 8 or 9 percent, something like that, rather modest at the time. That is where the thing got a little bit off track.

Then you had the cost of living percentages. That is a dangerous thing. I agree with Mr. Corcoran about that. When you get into astronomical salaries, just have 5 percent, you can buy half a Chevrolet, I guess if it is the right model, without too much on it right now. So I don't believe that.

I believe that the best teachers we have had in the country were people like Miss Dove, who didn't make an awful lot of money, and I think that if you made it impossible—that is to say, if you made the salary say $10,000 in this day and age, something like that—made it possible for a person to subsist on this job, then I think you would begin to curtail and get into the problem that you are talking about, something on the lines of $44,600, knowing that it is a rare situation, not very many people really have homes in a district and in the District of Columbia area. Rockefeller did, I guess a few people like that do, who are in the Congress—but more typically, somebody has a little apartment over—Henry Youngman said if I had to live it over again, I would live over a delicatessen. My predecessor lived over this delicatessen right down the street, and a lot of people do that, they don't all go to the extent Representative Holland has and sack out in the office—but, on the other hand, he bought a mountain back home, so he had a little better home than some of us do back home.

I think we are way wide of the mark, but I think the point you made is quite valid and ought to be taken into consideration. When you get in the game of being holier than thou, there is someone going to be holier than thou are. You can bid your way all the way down, as you say, where only the wealthy can serve, and I think it would be a sad thing, too.

I look for a navigation between Stellar and Coryphaveus on this one.

Mrs. SPELLMAN. I take it that pay raise in 1969 must have been a traumatic experience, because as I recall, there was no increase from 1969 to 1976.

Mr. JACOBS. Yes, that is right. I think probably by 1976 the taxpayers had almost caught up on it, but then the rabbit got up and ran awhile very hard.

Mrs. SPELLMAN. I am sure that with the proposal that you offer, you would also release the Federal salaries so that there would be no tie-in?

Mr. JACOBS. No, I really wouldn't, and I will tell you why. As between the Federal judges, for example, and Members of Congress, I believe the Members of Congress work harder, work longer hours, have a tad less job security, and this holier—you put on a black shroud and all of a sudden it is indecent to talk about going to the toilet or how much you get paid. I think that is pretty ridiculous. It is one more mouth to feed and it is a mouth that has been given a great, tremendous honor in our society.

No, I would give a Member of Congress a pay raise before I would give a Federal judge a pay raise, and I think the Federal judges should be paid adequately, too. I incorporate by reference everything I have just said about the pay of Members of Congress for the Federal judges. Good God, when you are given a lifetime job your credit soars. But when you have a 2-year job you had better not take out any payment book on furniture that goes more than 24 months or you might be in trouble.

Mrs. SPELLMAN. How about civil service?

Mr. JACOBS. Well, ditto on what I said about the Federal judges. It is the oldest story in the world, the people that are way down—let's take this very town, here is Washington, D.C., Members of Congress can't get by for less than $60,000 a year. Well, what about the lady who cleans out the office of the Member of Congress and sometimes even washes coffee cups, I think. What does she draw? Where does she live? But she doesn't have to maintain a house back in—all right, she doesn't have an extra apartment to pay for. On the other hand, she doesn't have a $3,000 compensation from Federal income taxes either, to help meet that problem.

It is like the fellow that had a date with the Siamese twins, Mrs. Chairwoman, and was asked if he had a good time. He said yes and no.

When it comes to civil service employees, well, yes and no, the ones that are living high on the hog and are in the classification of what I would call GS-rich I would say no. The ones that are not doing so well, inflation is beating them over the head, they are performing a useful service in some cases, then I would say yes, although I hasten to add that it is ironic to me that the word was depression that has been used to describe the situation for the people in the bureaucracy. Out in Indiana there was never a depression in Washington. Maybe that has changed, though.

Mrs. SPELLMAN. Mr. Corcoran, yes or no?

Mr. CORCORAN. I just have one question for my friend from Indiana. There have been a number of witnesses this morning who have suggested that we ought to delay the effective date of any change in compensation. What would be your reaction to that?

Mr. JACOBS. I think that is right. I think even though the statistics show that 90 percent of the people in Congress are raising their salaries because 90 percent heretofore have been reelected, no one can read the future. But that is in the constitution of my State. It might be in the constitution of Illinois as well. I think it is probably in a lot of constitutions around the country. Maybe it should have been in our Constitution.

But on this cost of living question, interestingly enough, in "Elliott's Debates" I think you will find that Governor Morris and some others were wrestling with the idea of Federal judges salaries

and somebody made the point, way back then, this amount of money might not buy the same sack of potatos 10 years from now, so we have to be careful about freezing the salary. So they were talking about inflation in our Constitutional Convention.

Now, this thing that happened the other day, if I may add, where by sheer lack of intention of the Congress, and by sheer technical accident of law, the Federal judges had a salary increase for a few days, and then we acted to correct what was not meant to happen and then for the Federal judges to go to court and say no, no, you can't lower our salaries. It makes me wonder when Federal judges do a thing like that are they respected, learned jurists, or do they want to be seen as slick lawyers looking for technicalities to enrich themselves. That saddens me a great deal.

Mr. CORCORAN. Thank you very much.

Mrs. SPELLMAN. Thank you ever so much.

Mr. JACOBS. Thank you.

Mrs. SPELLMAN. Mr. McDonald, Seventh District of Georgia.

STATEMENT OF HON. LARRY McDONALD, SEVENTH DISTRICT OF THE STATE OF GEORGIA

Mr. MCDONALD. Thank you, Madam Chairman.

It is a pleasure for me to testify today on behalf of H.R. 3016, which would require a 10-percent reduction in congressional salaries whenever the Federal budget is not balanced. It is a bill I introduced shortly after the 96th Congress convened and one which I hope will be given serious consideration in your deliberations on executive branch and congressional salary levels.

With a 1980 fiscal year budget deficit of approximately $60 billion and a fiscal 1981 budget which even the administration now admits will not be balanced despite earlier promises, it is imperative that the seriousness of our economic problems be brought home to Members of Congress.

In a newsletter published during the spring of 1979 I warned that the fiscal 1980 budget would reach about $61 billion despite administration estimates that it would be "only" $29 billion. My estimate proved to be quite accurate.

This spring we were told that the fiscal 1981 budget would be balanced but now we are told that there will be a significant deficit once again, which will further fuel inflation.

Deficits are not caused by recessions or unemployment. They are caused because individual Members of Congress, bowing to special interests in their own district or region, have not exercised discipline over their own voting on appropriation bills. It is the old story of "don't cut me, cut that fellow behind the tree." And because Congress has been able to obtain fairly regular and substantial salary increases over the years, inflation has had only a minimal, if any, effect upon Senators and Representatives. Therefore, deficit spending has continued unabated despite public proclamations of support for a balanced budget by most Members of Congress.

It is quite easy for Members of Congress to announce support for a balanced budget in a vague and undefined manner; it is quite another matter for those same Members to vote against ballooning appropriation bills, especially when they contain funds for a Mem-

ber's pet project or for a national program affecting the Member's own district.

Since Members of Congress are basically insulated from the ravages of inflation themselves, it has been easy for them to continue voting for unbalanced budgets or for budgets which are balanced by "mirrors" but still contain real deficits.

While Members of Congress may profess to sympathize with the elderly couple barely surviving on a pension, which was sufficient before the advent of skyrocketing inflation, they have done nothing to stop inflation.

While Members of Congress may proclaim empathy for the unemployed, for the economic squeeze on small business and for working people fighting to keep their heads above the flood of inflation, they have done little more than deplore the problem.

I am convinced that until inflation really begins to take its toll upon Members of Congress individually, neither House will take the fight against inflation seriously. Let me emphasize my feeling that only with inflation affecting all Members will sufficient energy be generated to halt deficit spending.

It will not suffice for 1 or 2 or even 50 Members to play to the news media by turning a portion of their checks back to the Government. While it may be good publicity back home, it does nothing to solve the main problem.

My bill provides that if outlays—including off budget items—of the Federal Government for a fiscal year exceed receipts—exclusive of receipts for trust funds—for that year, compensation for each Senator and Congressman shall be reduced by 10 percent. This would continue for each year that the budget remained truly unbalanced.

Again, we don't need gimmicks, exotic formulas based on the gross national product or bookkeeping tricks to attain a balanced budget. We simply need the individual discipline to vote against wasteful, big spending bills promoted by special interest groups on the domestic front. My bill would provide significant incentive for each Member to regain and then maintain that discipline.

I urge thorough consideration and a favorable report on H.R. 3016.

Thank you.

Mrs. SPELLMAN. I thank you, Mr. McDonald, Dr. McDonald, again one of our 94th class.

Suppose we had had this system in effect when we came, and you voted, as you normally do, do you suppose people might have thought that you were voting to hold down costs so that you could make more money?

Mr. MCDONALD. Well, I think the people would be perfectly willing to have the stated salary given to a Representative if he truly earned that by giving a balanced budget. We are not speaking about making more money as a bonus, we are talking about simply gaining the established figure and not having a penalty for doing a poor job, namely, restoring limited government, a balance budget type of economy.

Mrs. SPELLMAN. It might sound—I am just picking programs out of the air and I shouldn't even have said you—we will say Congressman Jones or Smith, or Wilson—do you suppose senior citi-

zens, if they vote against a program, would say he is taking this from us in order to keep from being penalized?

Mr. McDONALD. The truth of the matter is that inflation, which is a subtle form of taxation, which is being fueled and promoted by these deficit budgets, has its greatest impact upon senior citizens.

Mrs. SPELLMAN. How many of them have come to your office lately and said don't provide us with a health center that we need in our community, don't provide us with the RSV program, how many of them tell you they don't want those kinds of programs?

Mr. McDONALD. As you know, within the senior citizens groups there are probably three major senior citizens constituency national groups; two of these are basically promoting the concept of the welfare state. One of them is I think very clearly, simply an outgrowth of the AFL–CIO with leadership simply an extension of the AFL–CIO leadership, even though that program has been in part funded by Federal funds.

And so, as you might expect, that particular constituency group very thinly disguised, presents the programs and arguments for organized labor, AFL–CIO. So hence, then, there is a so-called senior citizens catalog of votes.

They would have such questions, for example, the Alaska pipeline, which they felt would be a bad venture, but you have to really scratch your noggin to find out where in the world is this related to senior citizens, because if anything, lower fuel costs you would think would be welcomed by senior citizens and yet taking a position favoring the development of Alaskan pipeline would be viewed as a negative position.

I have found that so many of those who say they speak for senior citizens indeed speak for special interests that set up operations to start with. As you know, there is, of course, a third constituency group, purporting to speak in part in behalf of senior citizens, and they measure all of their merits of individual members based upon the issue of inflation, which is the major enemy of all senior citizens.

But not to beg the question, which I think is a logical one, I have honestly, as you probably suspect, said the same thing in my district as I do here in Washington, and my newsletter and my statements reflect that, and I think the ultimate key is developing an informed electorate. Without that, all will be lost, no gimmickry can save us.

In my lifetime we have basically seen a limitation upon the function of the Federal Government by the Constitution, whereas in my lifetime we have seen an extension of the Federal Government into all areas to provide all things for all people, with the predictable results of impending bankruptcy and economic ruin.

It is my feeling that by the classical interpretation of the Constitution, providing for the elderly, providing for the handicapped, providing for this and that, was to be reserved for the States and the people. The 9th, but especially the 10th amendment, kept the Federal Government out of those areas. And to the extent that families, the communities, the churches, the charities, and the States were able to handle it, it was handled in that area.

Unless that appears to be harsh, it should be remembered that we became the greatest Nation on Earth and the beacon to people

around the world seeking individual liberty and opportunity with that system before the welfare state was inaugurated.

Mrs. SPELLMAN. Mr. Corcoran.

Mr. CORCORAN. Thank you very much, Madam Chairman.

I would like to obtain from my friend from Georgia his reaction to the notion that any changes in compensation, either increases or decreases, should be enacted with an effective date in the succeeding Congress. What would be your reaction to that?

Mr. MCDONALD. I agree with the gentleman's basic thrust, what I perceive to be the thrust. It would seem to me proper to avoid the question of impropriety, and the question of voting in our own self-interest, which we unfortunately have developed in this country on occasions, to have any change take place in the succeeding Congress rather than in our own time of seating, after you have the opportunity to go back to the people for their approval at the ballot boxes.

Mr. CORCORAN. Thank you very much.

I also want to say I agree with you that in whatever way we can, we have to set a much better example here. Thank you very much.

Mrs. SPELLMAN. Thank you very much.

Our next witness is Mr. Alan Campbell, the Director of the Office of Personnel Management. Glad to see you.

STATEMENT OF ALAN K. CAMPBELL, DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

Mr. CAMPBELL. I have a very brief statement, Madam Chairman, if I may use it.

Mrs. SPELLMAN. By all means.

Mr. CAMPBELL. We are pleased to testify on the issue of pay, particularly as it relates to Federal executives.

This October 1, the fiscal year 1981 Commission on Executive, Legislative, and Judicial Salaries—better known as the Quadrennial Commission—will begin its work. The Commission will review the salary rates for top officials in the executive, legislative, and judicial branches of the Government, and recommend appropriate changes in these salary rates to the President.

In January, after reviewing the recommendations of the Quadrennial Commission, the President will transmit to Congress with his budget message, his own recommendations on new salary rates. The rates recommended by the President will become effective if they are approved by both Houses of Congress. We look to this process as providing the best hope for some solution—or at least some amelioration—to our present problem.

When the Quadrennial Commission makes its review of the government's executive pay situation, we expect it will find that repeated limitations on executive pay adjustments have had a serious effect on the recruitment and retention of talented personnel to manage the Government's programs.

GAO has been looking at this issue recently—you heard from them this morning—and we understand that they have found that the agencies are having great difficulties in attracting well qualified people from outside the Government, at the same time they are seeing many of their best executives retiring or leaving for higher paying jobs in the private sector.

Our past experience with the retirement system confirms these GAO findings, since we have seen that frozen salaries can produce a retirement rate as much as twice as high as the rate for other employees. In a period of high inflation, the combination of frozen pay and high cost-of-living adjustments in annuities makes retirement even more attractive.

Since early 1969, Executive Schedule salaries have increased by an average of only 35 percent, while the Consumer Price Index has gone up 125 percent, General Schedule salaries have gone up more than 100 percent, and private sector executive salaries have gone up nearly 140 percent. The purchasing power of executive level I salaries has dropped nearly 50 percent since 1969, and for salaries at the level V ceiling, there has been a drop of nearly 40 percent in real income. There has been only one executive pay raise since early 1977—the one last fall, and that was 5.5 percent for executives while other employees got 7 percent.

These considerations will, we expect, lead the Quadrennial Commission to recommend substantial executive pay increases. It must be recognized, though, that the administration and the Congress are committed to a policy of fiscal restraint, and it would be unrealistic for us to forget this, or ignore the symbolic importance of top Federal salaries in the fight against inflation.

These concerns led the President to recommend that the pay increase that was scheduled for October 1980 not be granted, and in reviewing the recommendation of the 1981 Quadrennial Commission, the President will have to consider economic issues, and balance them against the continuing need to attract and retain the best people available to serve in the Government.

Beyond the basic issue of new salary rates, we hope the Quadrennial Commission will also look at some of the major issues that underlie any long range solution to the executive problem.

Certainly a primary concern will be an examination of the procedures for setting and adjusting pay for top Government officials. It is clear that the current mechanisms are not working. Public Law 94-82 is intended to give top officials of the three branches pay adjustments equal to the average General Schedule comparability adjustments, but this process has been allowed to operate as intended only once, in the year of its enactment. Since then, we have seen this law suspended or its increases frozen or capped every year.

The Quadrennial Commission procedure itself was amended in 1977, to require positive votes by both Houses of Congress before a pay adjustment can take effect, in contrast to the previous one-House veto procedure.

Beyond the adjustment procedures, it seems likely that the Commission will also look at the very difficult issue of the linkage between congressional and executive pay. Recommendations to abandon this linkage have been made by the 1976 Quadrennial Commission; by the General Accounting Office; and by the authors of the recent Brookings Institution study of Federal executive compensation, "The Rewards of Public Service."

The upcoming Quadrennial Commission will prove to be the most important one we have had, since it will be dealing with the most critical executive pay problems we have ever had in the Govern-

ment. In the executive branch, we are going to do whatever we can to help the Commission do a good job, and I hope that the Commission's work will provide a basis for moving forward next year toward a pay system that will treat the Government's most vitally needed employees fairly, that will attract the kind of talent we need so badly, and that will act as an incentive to outstanding executive performance.

Thank you. I would be glad to answer any questions that you may have.

Mrs. SPELLMAN. I thank the gentleman for his statement.

Earlier, when the GAO was testifying, I said I had the feeling of deja vu.

Mr. CAMPBELL. Yes.

Mrs. SPELLMAN. I have been here before. I again have that very same feeling when I read a statement that you have here, something to the effect that we need to find some answers.

Beyond the adjustment procedures, it seems likely the commission will also look at the very difficult issue of the linkage between Congress and executive pay. That isn't it.

At any rate, I got the impression on reading that, and hearing you read it, that you were saying we have got to look into the matter and there is this:

> It is clear that the current mechanisms are not working. Public Law 94-82 intended to give top officials of the three branches pay adjustments equal to the average general schedule comparability adjustments, but this process has been allowed to operate as intended only once, in the year of enactment. Since then, we have seen this law suspended or its increases frozen or capped every year

—an indication that we need to look into it.

I noted that back in 1975, we asked the then Civil Service Commission to make a study and present recommendations to this committee or to Congress of a plan or plans to help alleviate the executive salary pinch, and especially as it addressed retirement systems. That was added to it, I see.

In 1975—here we are again, that was one of my first hearings—here we are again and we are still seeking answers.

Do you know whether the Civil Service Commission—that was before you came?

Mr. CAMPBELL. Yes ma'am.

Mrs. SPELLMAN. We cannot hold you responsible for that.

Do you know whether anything has ever been done in the way of a study on where to go?

Mr. CAMPBELL. There certainly have been, as you know, a good number of studies of the pay situation in the Federal Government. I am not aware of a study specifically addressed to the excutive pay issue, although we do have the Quadrennial Commission report of 1976, in which there was a substantial amount of material and other kinds of assistance, given by the then Civil Service Commission to that Quadrennenial Commission.

My own judgment is that the issue is well laid out in the Quadrennial Commission report, and it does obviously relate to the question of the tie of the pay system to the top level of the three branches at the executive level. I am not at all certain that breaking that tie would in fact result in a change in Congress occcnsional desire to use appropriations bills as a way of putting on pay caps.

You will remember last year, because you worked very hard on the question of whether Congress should go along with the general 7-percent pay increase that was given to Federal employees, that we were unsuccessful in getting that, and the result was a 5.5 increase instead.

I think that there is a distinction to be made between the use of the alternative plan as it relates to trying to have the Government respond to the Nation's economic problems on the one hand, and on the other hand, treatment of executive pay as a separate issue. Certainly executives should be subject to the same kinds of limitations that are imposed by an alternative plan. I would argue they ought, at least, to be able to participate in what the alternatvie plans permit.

Mrs. SPELLMAN. I had hoped, frankly—I made note of that in my opening statement—that the Pay Reform bill would have addressed itself in part to this problem that we have.

Mr. CAMPBELL. Well, the pay bill does continue the mechanism, in that executives would be treated the same way as are other employees of the General Schedule.

Quite frankly, I find it difficult to know what can be proposed that has not been thought of since the actions that are taken by Congress are clearly related to congressional power, and I am not about to advise Congress how to run its business. But, I see no way short of a constitutional amendment to limit Congress' ability to limit pay through appropriations.

Mrs. SPELLMAN. We are attempting to think about that in the event that the idea of raising a future Congress' salary is one that the committee would perhaps adopt, and then we would have to figure out how to get it past the appropriations process in the next Congress.

Mr. CAMPBELL. Yes, the next time around. Obviously, I have no administration or official view on this. I must say I think the problem is, that if a member is concerned about constituents' views in relation to that matter, it doesn't seem to me that going home to defend the congressional increase voted for the next Congress is a much more desirable situation than going home to defend one which has already been offered.

Mrs. SPELLMAN. I know you are part of the group which makes up the pay agency's team on the President's Pay Council.

Mr. CAMPBELL. Right.

Mrs. SPELLMAN. What if any participation do you have with regard to the Quadrennial Commission?

Mr. CAMPBELL. Our participation is simply a staff role of providing them with information that they request. We are in the process now of putting together material for that Quadrennial Commission.

Mrs. SPELLMAN. Would you agree with the Comptroller General's assessment that executive pay compression is one of the most important issues facing the government today, that it is virtually impossible to address national priorities and government costs without recognizing the responsibilities of this particular group of individuals?

Mr. CAMPBELL. Certainly that group of individuals is vital to the implementation of public policy and, therefore, it is an important

issue and an important problem. I hesitate to rank the nation's problems in priority order, but it is certainly an important one.

Mrs. SPELLMAN. I am a little bit puzzled. You have indicated on the one hand the upcoming Quadrennial Commission will prove to be the most important one we have had, since it is going to be dealing with the most critical executive pay problems we have ever had in government.

Mr. CAMPBELL. Right.

Mrs. SPELLMAN. In quotes.

On the other hand, you state that it must be recognized that the administration is committed to a policy of fiscal restraint and that it would be unrealistic for us to forget this or to ignore—I am using some of your words—"the symbolic importance of top federal salaries in the fight against inflation. Further, these very concerns led the President to recommend that the pay increase that was scheduled for this October not be granted."

I just wonder, aren't those stands inconsistent? We say these people are terribly important, we have to keep them. One way of keeping them is to recognize their worth through their salaries. On the other hand, we say, but we are not going to pay them.

Would their salaries really be significant in terms of budgetary items?

Mr. CAMPBELL. Well, first, let me say I do not think there is an inconsistency in that decision. What we are arguing is that the system has not been allowed to work even when we have not had inflationary situations facing the country. When the administration requested no increase of executive pay this year, we had an inflation rate of 18 percent, and any action, it seemed to us, that could make a contribution to controlling that, symbolic or not. I don't think one can underestimate the significance of symbolic action, particularly as it relates to Government and the kind of signal that sends out to the total society. So, I would argue that obviously pay is always going to relate to what our particular economic conditions are at the moment.

Our problem is that our system is not allowed to operate even when we are not dealing with that kind of situation.

Mrs. SPELLMAN. As you were talking, I was looking at your words:

> When the Quadrennial Commission makes its review of the Government's pay decision, we expect it will find that repeated limitations on executive pay adjustments have had a serious effect on recruitment and retention of talented personnel to manage the government's programs. GAO has been looking at the issue recently. We understand they have found that the agencies are having great difficulties in attracting well qualified people from outside the government. At the same time, they are seeing many of their best executives retiring or leaving for higher paid jobs in the private sector.

That is why I am kind of a little confused. How can we say all this is important and say but we are going to hold their salaries down?

Mr. CAMPBELL. I can only argue there are going to be times when it is necessary to do that, particularly when you are requesting the private sector to do it as well.

I would also like to comment on the recruitment issue as well as the retention issue. On the recruitment side, there clearly are difficulties. They tend to be more in areas where there is a scarcity

of the professionals—in engineering areas and medical doctor areas and a few of that kind. There are difficulties in recruiting in those areas.

In other areas, there is not nearly that great a difficulty. That may even suggest that we need somewhat greater flexibility than we have in relation to pay schedules in the Federal Government. I would point out that passing a pay reform bill would permit some of that flexibility.

Second, the retention issue is really a result of a combination of pay and retirement systems. The fact is, with the retirement you do receive regular cost of living increases which are greater than the pay increases that are received. As a result, the option of retiring often is made very attractive simply from a financial point of view, in terms of what the regular pay is.

On the other hand, I would also point out that we did have a large group of retirees before the last effective date of the increase in the annuity payment. However, of the 2,300 executives who were eligible to retire at that time, 315 did. Percentagewise, that is about twice what it would be if you had normal retirement. So it does have impact.

Yet, it also shows that there are many who are eligible to retire who are, in fact, staying.

Mrs. SPELLMAN. We talked about linkage. I had the feeling that you were saying that ending the linkage, or separating that linkage would not really solve the problems. Are you concerned that if the salaries aren't linked to Congress, that they may never go up?

Mr. CAMPBELL. No. First of all, I think the linkage issue is obviously very much a congressional matter because it relates to congressional pay.

I do not—here one is guessing future behavior and your guess about this would be much better than mine—but I am not at all certain that removing that linkage would result in a willingness on the part of Congress to allow high-level executive pay or judicial pay, to go into effect.

I have listened, for example, to several Members of Congress who have testified that they feel as strongly about holding down judicial pay as they do holding down congressional pay.

Mrs. SPELLMAN. There is a special rivalry there.

Mr. CAMPBELL. Not with the top-level executives. I have just been through the struggle on the SES bonuses.

Mrs. SPELLMAN. Not quite the same, because I think almost every Member of Congress knows the judge he is talking about, but he doesn't know the top level executives the same way.

Mr. CAMPBELL. Right.

Mrs. SPELLMAN. They used to resent it very much when the big cars drove up and they got into their little cars and drove off with no chauffeur. There was a resentment at that.

What do we do? Are you finding that the compression is creating a big morale factor?

Mr. CAMPBELL. Yes.

Mrs. SPELLMAN. Morale, not moral. I guess too much compression might mean moral problems, too.

Mr. CAMPBELL. There is no question that there is a great deal of concern about it. I know I spend a lot of time talking to senior

Federal executives, and have this week talked to two large groups of senior executives, and the compression problem does bother them. That has clearly been accentuated by the recent efforts we have had relative to maintaining the bonus system in the Senior Executive Service. That combination has resulted in a great number of senior managers having a very bad case of something which we think we all have to some degree; an extreme case of feeling unappreciated.

Mrs. SPELLMAN. We will be holding a hearing on the 21st of August on the bonus system. I would hope that maybe by then you would come up with exactly the right answer for us to solve this problem.

Mr. CAMPBELL. I wish I could.

Mrs. SPELLMAN. I won't go into that today. It creates a problem.

Mr. Staats said that compression is being a very serious problem in Government and felt that we were having a great many people leaving because it was just easier to go work elsewhere, that there were jobs available in the private sector for our really good people. Also he said that we were losing top talent. I think we have got to figure some way to work on that compression.

Mr. CAMPBELL. I do not disagree with that. I think that one has to look very carefully at the loss figures, but certainly in some areas, particularly as I have said before, in the medical and engineering areas, it is a serious problem and it is particularly a serious problem because of the retirement situation. That relates both to the cost-of-living increases for retirees and to the early age at which Federal employees may retire with full benefits.

As you know, our average retirement age in the Federal service now is about 57 years of age.

Mrs. SPELLMAN. Mere babies.

Mr. CAMPBELL. You are absolutely right.

Mrs. SPELLMAN. Mr. Corcoran.

Mr. CORCORAN. Thank you, Madam Chairwoman.

Scotty, we appreciate your statement and I certainly appreciated your comments in response to the questions of the chairwoman.

One factor that is very much a part of this whole question of adequate compensation for our top-level people in the Government is, of course, the linkage to congressional compensation.

In theory might be, and in theory there ought to be separation between Members' and civil service employees' pay, and I certainly would support separation. But the reality is that most Members of Congress, and particularly, I think, the leadership, feel that if we break the linkage, Members of Congress would never receive adjustments in compensation.

With that in mind and recognizing that at the moment the only real means for making any kind of significant change would be through the Quadrennial Pay Commission, let me ask, if you know of any better way than the Quadrennial Pay Commission, any better mechanism for dealing with the compensation for top officials of the three branches?

Mr. CAMPBELL. I have a bit of a problem that it is quadrennial rather than more frequently in relation to trying to keep things more up to date. The fact of a study once every 4 years with the kind of practices which have been followed in recent years, means

that a catchup has to be huge. You know better than I do that adds to the seriousness of the political problem involved with passing an increase.

I think that the current appointments in terms of who has the authority to do it, the President and the leadership of Congress and the leadership of the judiciary, is the appropriate kind of division. I have sometimes wondered if it might be better to have, instead of appointments from outside of Government, Members of Congress and members of the judiciary on it. But, immediately you can envision problems about that in terms of accusations of self-serving and so forth.

Beyond the need for it to occur perhaps more frequently, I do not have any suggestions to make. If the system was allowed to work—I mean by that if the pay increases, either the actual comparability increase or alternative plan increases, were allowed to go into effect—then I would guess that the Quadrennial Commission would work much better, because the size of the increase they would recommend for the appropriate catchup would be much smaller.

Mr. CORCORAN. That is a very useful suggestion, particularly in view of the growing support in Congress for the notion that any change in compensation for Members of Congress ought to be effective in some succeeding Congress rather than in the Congress during which the vote is cast.

Of course, as I mentioned earlier, that would then present the problem of the 4-year adjustment, and when you would want to make the adjustment effective. Were we to change the Quadrennial Pay Commission to a biennial commission, that problem would be solved.

Mr. CAMPBELL. Yes, that is right. There is an interesting problem down the road aways. I don't know whether Congress has yet noticed that the cap on executive pay is for the fiscal year 1981, which means that if the Quadrennial Commission comes in with a recommendation and Congress acts on it, unless there is an emergency budget authority given, it could not go into effect until fiscal year 1982.

Mrs. SPELLMAN. We have noted that.

Mr. CORCORAN. I think one of the other problems here is that while from a sense of fairness, we would want to separate the compensation for Members of Congress from the compensation for the other two branches, as you suggest, there would still be some dangers for the high level officials in the other two branches because there are other legislative means by which the compensation for those employees of the Government can be restricted.

My own inclination at this point would be to say we ought to try to solve the compensation problems for both the top level officials in the legislative branch and those in the other two branches.

Mr. CAMPBELL. Let me say briefly that I agree completely with that. I did not in my testimony mean to imply endorsement of separation, primarily because I don't really think it is executive branch business to tell Congress how they are going to set their own pay.

Speaking from the point of view of the executive branch and of the top managers in the Federal Government, I do not believe that separation would solve the problem of executive pay. On the basis

of my discussions on the Hill with literally dozens of members and learning attitudes about executive pay, I simply do not see any greater support there for increasing executive pay than I find for increasing congressional pay. And I do worry, in a sense, that by separating them so that each is done individually whatever strength in combination they may have, is lost. Each is weaker when you separate them than when it is part of the whole.

So in that, speaking entirely as an observer of this process, I do not believe that the separation would make a contribution to dealing with the executive pay problem.

Mr. CORCORAN. Thank you very much.

Mrs. SPELLMAN. I agree with my colleague that we ought to look at this whole question in a comprehensive fashion.

In my opening statement I said it would appear we must either find a way to break the link between compensation of executives and compensation for members of Congress, or failing that, find another way to deal with the matter of Congressional salaries to allow the others to go up. I have also said I couldn't see in the foreseeable future that the Congress was going to agree to any kind of a separation of the linkage.

I think you are right about that.

As to the Quadrennial Pay Commission, could it not recommend different levels of increases or decreases, different salary level changes for each of the three different groups?

Mr. CAMPBELL. I am sure it could. Yes, there is certainly no statutory language which prevents them from doing that.

Mrs. SPELLMAN. Is there any statutory language which prevents them from giving yearly or biennial opinions?

Mr. CAMPBELL. I am not sure about that. But my impression is that it is a commission that is appointed once every 4 years, makes a report, and goes out of business. Whether one could keep it in business without a change in the statute, I don't know.

Mrs. SPELLMAN. We will have to look that up.

Mr. CAMPBELL. Yes.

Mrs. SPELLMAN. I agree with you that an adjustment every 4 years becomes such a large adjustment that psychologically——

Mr. CAMPBELL. It is very difficult.

Mrs. SPELLMAN. It creates real problems. We found that when it came to levying real estate taxes in the State, if the assessors didn't get around to you for 7 years, or 5 years, or whatever number it was, you didn't say thank goodness I got away with that all these years, you said what, you have got to be out of your mind. So a more frequent adjustment would be far easier to take.

Mr. McCluskey.

Mr. MCCLUSKEY. Is there any statutory language which would prevent the Quadrennial Pay Commission from recommending that its pay increase be spread out over a 4-year period rather than all in one lump sum?

Mr. CAMPBELL. Again, I am not going to be positive about this, but I believe they could give the President, and through the President, Congress, any advice they wish in terms of both the amount of pay and how it should be effectuated.

Mr. MCCLUSKEY. I was just thinking that might be one solution to the large lump sum every 4 years.

Mr. CAMPBELL. The other side of that coin is that means every year you have to fight whether you get it or not.

Mr. MCCLUSKEY. That is true.

Mr. CAMPBELL. Having been through about four of those——

Mrs. SPELLMAN. You sound a little weary.

Mr. CAMPBELL. A little weary, yes.

Mrs. SPELLMAN. Thank you very much.

Mr. Grassley is next.

STATEMENT OF CHARLES E. GRASSLEY, THIRD DISTRICT OF THE STATE OF IOWA

Mr. GRASSLEY. Madam Chair, and Mr. Corcoran, I just want to submit my long statement for the record. I can tell from the previous dialog that you have had with the Director of the Office of Personnel Management that probably my testimony won't be the most popular you've heard. I am appearing before you this morning to call attention to a bill that I have introduced that has several cosponsors—we introduced it in February—calling for the Quadrennial Commission not to meet this year. The bill does not do away with the Quadrennial Commission, it just foregoes its meeting this year.

The theory of the bill is that we in public life ought to set examples for the laboring people and for business in the war against inflation.

Under this theory, if we accept big pay raises, it will signal to everyone else in the economy that we don't consider pay raises to have any effect on inflation.

On the other hand, because of the work of the President and the Council on Wages and Price Stability, and his efforts to keep wage increases within 7 or 8 percent, we obviously do know that there is a connection between private sector wage increases and the war against inflation. The President has put the major brunt on his effort in the war against inflation in voluntarily holding down wages and prices.

During a year when we have had record high inflation and interest rates it would be improper for us to sanction the meeting of such a committee this fall. Undoubtedly, the Quadrennial Commission will recommend salary increases, perhaps in the five-digit range. Such action would not send out a very sound economic signal. Such action does not show people in the private sector that we are serious about fighting inflation. People in the private sector will say, if they don't care, why should we care?

Now, you could argue, that we do care, and the few of us in Government eligible for these pay adjustments aren't going to make an impact on inflation. I can't come around with economic studies that would indicate that this is wrong. But I feel that the credibility of Government does have an impact on society. When that credibility is low, we are going to have less influence. And I think if we do not practice what we preach, as in the case of the war against inflation, we are going to have less credibility.

I would like to think we are working, all of us, to increase the credibility of the American Government and society. One of the ways I think we can do that is to lead by example. Consequently, I introduced a bill to call for the Quadrennial Commission not to

meet in 1980, but to have its next meeting in 1984. This will spare us debate on the issue next February of whether or not the recommendations of the Quadrennial Commission ought to be adopted. At that point, economic forecasters predict we will still have double-digit inflation.

This is not a proper time for us in the Congress of the United States to be making recommendations for five digit increases in our salaries and the salaries, of the Judiciary, and the Cabinet and upper level civil servants. That is my position, and I would be happy to answer any questions you might have.

[The prepared statement follows:]

PREPARED STATEMENT OF HON. CHARLES E. GRASSLEY

Madame Chairman, three years ago, President Carter called upon the people of the United States to sacrifice wage increases and cost-of-living adjustments in the wake of spiraling inflation. But in those three years of economic deterioration, Members of Congress have been enjoying a $12,900 raise they gave themselves as a quadrennial pay hike in 1977 and a $3,162.50 cost-of-living adjustment in 1979 that was conveniently squeezed in between election years.

Back in February, 1977, the President rallied American workers to hold the line on inflationary wages saying "if we all cooperate and make modest sacrifices, if we learn to live thriftily and remember the importance of helping our neighbors, then we can find ways to adjust, and to make our society more efficient and our own lives more enjoyable and productive." But Mr. Carter cautioned "Government officials can't be sensitive to your problems if we are living like royalty here in Washington."

In those three short years since the President called on the public to hold the line and bite the bullet, our economic situation has worsened dramatically. Inflation was 4.8 percent; it reached 18 percent earlier this year. The prime interest rate was 6.8 percent; this year it topped 19 percent. Gasoline was 60¢ a gallon, we are now filling our tanks with gasoline that costs $1.30 a gallon. And yet the Commission on Executive, Legislative and Judicial Salaries, which so generously recommended a 29 percent pay increase in 1977, is scheduled to make a new recommendation this year.

I agreed with what the President said three years ago. And I believe that there is even more truth and significance in those words today. That is, in part why I am here today. I appreciate being able to appear before you to present my views on salary increases for high-level employees of the federal government, including Members of Congress.

You may be aware that I have actively fought automatic cost-of-living Congressional pay raises, and the Quadrennial Commission recommendations of 1977, as the most appropriate way to demonstrate that we are responsive to the needs and wants of the people who sent us to Washington.

In fact, in 1975 I sought to prevent enactment of the law (Public Law 94-82) that linked Congressional salary increases to those provided to other federal employes. It seemed wrong to me then, and it seems wrong to me now, that Members of Congress should be able to receive pay increases automatically, without voting and going on record.

The same objection, that is, lack of accountability to the people, can be lodged against the Quadrennial Commission mechanism—at least until the law was amended in 1977 after we got the $12,900 increase.

In prior Congresses, I introduced legislation that would repeal the cost-of-living mechanism of Public Law 94-82, enacted in 1975. I have also sponsored bills to abolish the Quadrennial Commission. The Congress has, however, been reluctant to approve—or even seriously consider—this legislation. Thus, this year I have introduced a couple more modest proposals more limited in scope. But let me make it clear that I support any legislation that would restore accountability to the process of setting Congressional salaries.

I have introduced two pieces of legislation this year that would show the American people that their elected representatives truly hold the national interest above the size of their own pocketbooks.

H.R. 7346 would prevent the next following annual adjustment in the rate of pay for Members of Congress. The bill, depending on the date of enactment, could be modified. But my purpose is to prevent any pay increase in 1981, a non-election year. H.R. 6545 would delay proposals for salary increases for Members of Congress

and certain other federal positions by postponing for four years the appointment of the members of the Quadrennial Commission, which is scheduled to meet this year.

Current Congressional salaries of $60,700 seem to me to be more than adequate. If Members of this 96th Congress feel they cannot exist on what they earn today, then they fit nicely into the position most of our constituents must endure. And if Members of this 96th Congress are intent upon getting more for their dollar—then it is appropriate to take steps to reduce inflation for everyone. Efforts in the past to curb their pay increases have amounted to little more than election year showmanship. Those times when Congress has frozen its own pay have been shortly before adjournment in the fall—before an election. This reflects a feeling among Members that their salaries should be comenserate with the maximum amount that the public will tolerate at the time.

But the question here is not simply whether or not Congress deserves a pay raise and not how heavy are the burdens of inflation upon ourselves and our family. The recent debate in Congress over next year's federal budget has brought home the lesson that if charity begins at home, so does frugality. American taxpayers are weary of so much moralizing from Congress about budget balancing and inflation fighting, when big-spending Congressmen make sure they escape any pain caused by federal restraint.

With widespread cuts in domestic programs, increasing energy costs and rising unemployment, a pay raise seems poorly timed to me. Americans are enduring high interest rates and are being asked to postpone capital improvement projects to further our efforts toward a stable economy. Farmers are facing low prices and employees in depressed industries with autoworkers and steelworkers the most obvious examples, are being laid off for the sake of our national recovery. In the face of all this, it is no time to ask the American people for more of their hard-earned dollars to pad Congressional salaries.

Those who have stood up in the past and insisted that the cost-of-living makes a congressional increase necessary are forgetting one thing. Unlike the majority of Americans who are trapped into the inflation we create, we are in a position to do something about it. We are at the helm. We have the ability to stop deficit spending and runaway inflation, and our failure to tackle those problems should be enough of an incentive to block any pay increases. It would be pure lunacy for Congressmen to allow themselves to receive cost-of-living increases for the cost of living that they have helped create.

It would be as impossible to prove a cost-of-living increase accountable to the taxpaying public, as it would a quadrennial pay hike. The last time the commission met it recommended pay raises for top governmental officials from $8,000 to $20,000. The phenomenal $12,900 raise the commission recommended for Members of Congress represented not only a 29 percent increase, but is more than the average American worker earns in one year. The Quadrennial Commission has set a very bad precedent for private enterprise by continually recommending excessive salary increases for Congress over the past eleven years. Given the Commission's dismal record and increasing inflationary pressure, I shudder to think what its recommendation would be this year.

H.R. 6545, which I introduced in February, would postpone the convening of the commission until 1984, so that no pay raise could be offered. I believe the commission itself is no longer needed, as it was established before all top level federal employees were included under provisions for annual cost-of-living pay raises. No member of any branch of government should be entitled to quadrennial pay raises on top of annual cost-of-living adjustments. Yet that is what the commission provides.

Recent polls indicate that respect for Congress as a legislative body is at an all-time low. How can we hope to restore confidence in government, not to mention our own credibility when we don't in turn tow the line.

The American people are calling for leadership from their elected officials. Certainly leadership is best exemplified by the setting of good examples—examples of responsive and careful thought, as well as fiscally prudent action. It is unreasonable for us to line our pockets with one hand while pointing out with the other that taxpaying Americans must bite the bullet and bear up bravely under the burdens of inflation.

Members of Congress have been asking the American people to tighten their belts. Perhaps, we should tighten our own a few notches.

Madam Chairman and members of this committee, I thank you for the opportunity to appear here this morning. I urge you to support these measures to keep the confidence our citizens have in Congress from eroding any further.

Mrs. SPELLMAN. Thank you very much.

Would you feel that the civil service salaries should be held down, too?

Mr. GRASSLEY. I have never argued for the linkage between the two. I think it is a kind of selfish approach that Members of Congress have taken. This is not to say that upper level civil servants salaries ought to be increased at this time. I think that Members of Congress should be making this decision, as they have historically done. We shouldn't have to rely upon the judgment of a Quadrennial Commission. In my opinion, the Quadrennial Commission was instituted in 1967 as a way of guaranteeing salary increases without the Members of Congress having to make the hard decisions.

Mrs. SPELLMAN. GAO testified that there was a real problem—I think you were in the room at the time, were you not?

Mr. GRASSLEY. I was not in the room when GAO was here, just since Mr. Campbell was here.

Mrs. SPELLMAN. I thought I had seen you here earlier. The upper level grade 15, the top three steps, grades 16, 17, and 18, all sitting there together earning the same salaries, so that supervisors are making no more than the people they supervise, and if the compression grows, and if we continue this, it will extend on down all through grade 15 and maybe grade 14. It does create a problem.

The question is, what to do about that. How do we handle that. Should we separate those?

Mr. GRASSLEY. If the majority of Congress feels like it is a problem, that would best be answered by separating the link.

Mrs. SPELLMAN. Right.

Mr. Corcoran.

Mr. CORCORAN. Thank you very much, Madam Chairwoman.

I have a suggestion which might increase the support for your proposal.

As I understand it, the problem of inflation gave rise to the decision on your part to introduce legislation to postpone the recommendation as well as the hearings of the Commission.

Mr. GRASSLEY. Yes sir.

Mr. CORCORAN. If we were to solve the inflation problem within the next year or so, then I would assume that you would be at that point more interested in the Commission or some other body, including Congress itself, examining the question of adequate compensation for top officials of the Government.

Mr. GRASSLEY. Yes.

Mr. CORCORAN. Would it be your position then that the Quadrennial Commission ought to be changed to a biennial commission?

Mr. GRASSLEY. If that change would encompass not making any recommendations until 1982, it surely would be preferable to what is going to happen without the passage of my bill.

Mr. CORCORAN. If action were taken either today, tomorrow or very soon, which would bring us toward a balanced budget and reduce the need for the kind of deficit fianancing mechanisms which in large measure contribute to inflation, then it would be my view that we ought to be prepared to look at the compensation problems that top officials in Government have.

Mr. GRASSLEY. I would agree with you.

Mr. CORCORAN. I do have trouble with your bill—particularly with the notion that the Commission could not meet again until 1984. I am more optimistic about the near term. I believe we will take steps either this year or certainly next year to deal effectively with inflation, and I would hope that we could be in a position to consider changes in compensation after that time. Would that square with your views?

Mr. GRASSLEY. Yes, it would.

Mr. CORCORAN. Thank you very much.

Mr. GRASSLEY. I thank you.

Mrs. SPELLMAN. Thank you very much.

There is a quorum call underway on the House floor at this moment. The subcommittee will adjourn. However, the Chair has statements from several Members to be made a part of the record. Those statements will be included.

The hearing is adjourned.

[Whereupon, at 12:25 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[The statements referred to follows:]

STATEMENT OF HON. MILLICENT FENWICK

Chairwoman Spellman I thank you for this opportunity to testify before your Subcommittee today. Before I begin, I would like to clear up one point. It was my intention when I introduced H.R. 4508 that the bill provide for a recorded vote. Unfortunately, when the bill was drafted this was omitted. I have, therefore, introduced a new bill to correct this, and with your permission will submit a copy for the record.

I am grateful for this chance to come before the Subcommittee to discuss a situation which as become a perennial problem for Congress—that for voting itself an increase in pay. Most of us here today will remember the unfortunate situation and the difficulties which accompanied our last pay raise. An unusual parliamentary procedure was adopted, requiring 44 Members to stand for a recorded vote instead of the usual 25, and the pay increase passed by an unrecorded division vote.

The public's outrage was immediate. Many denounced the raise on its merits, pointing to runaway inflation and the need to cut government spending. Others opposed it on perhaps a more serious charge—that we appeared to be unwilling to stand up and be counted in what we were doing in our own interests. The taxpayer's worst suspicions about the ethical standards of the House were strengthened. It was considered as one more example of the disregard for proper, open procedure.

I am not here today to discuss the merits of a Congressional pay raise. Instead, I would like to address my second point. What standards should be set by this House to insure that any pay increase is done properly and with full accountability?

My bill has several provisions. It amends the Federal Salary Act of 1967 to provide that any recommendations by the President concerning the annual rate of pay for Senators, Representatives, Delegates, and the Resident Commissioner of Puerto Rico shall be advisory only, thus eliminating the automatic adjustment. The annual rate of pay will be that amount that is set upon enactment of my bill. Perhaps the automatic pay raise was originally proposed in the hope that Congress could thereby avoid the embarassment of voting benefits for itself. But I'm sure experience has taught us that this never happens. Some Member will always rise to propose that the raise be opposed. So the automatic clause will never be a protection of the kind it was meant to be.

In addition, the effective date of any increase is salary would be delayed until the following Congress. A number of states, including New Jersey, California, and Michigan, have already established this standard. It is absolutely essential that the House follow suit. No Member of this House should directly benefit him or herself by such a vote.

Equally importantly, Members must be accountable for their vote. No benefit should accrue to a Member of Congress except through an open, recorded vote. Without this, a shadow is cast on the whole procedure and public confidence is further eroded.

I would also like to mention at this time another bill which I have sponsored, H.R. 1011. This bill establishes the same procedure which I have already outlined,

but would apply to any and all Members' benefits. With the Chair's permission, I am submitting a copy for the record.

I firmly believe that enactment of these proposals would be an important step towards restructuring procedures and standards of the House. It would also allow us to debate any increase in salary on its logical and proper basis—its merits.

STATE OF HON. HASTINGS KEITH

I am Hastings keith, a Member of the Congress from 1958 through 1972. Prior to serving in Congress I was in the Massachusetts State Senate, and prior to that a Chartered Life Underwriter, devoting much of my time to design and sale of small corporate pension plans.

Since leaving the Congress I have served as a member of the Defense Manpower Commission and as the Vice Chairman of the National Planning Association's (NPA's) Public Employee Pension Committee. John Macy, formerly a Chairman of the Civil Service Commission, was Chairman of this Committee.

I have for the Committee members, copies of a report, "Pensions for Public Employees," which was written for the committee. It's author is Alicia Munnell, a Vice President of the Federal Reserve Bank of Boston. The report itself is too long for inclusion in the record—but your committee and others concerned with total compensation of public employees will find it very helpful. It lists areas for study and issues for analysis and resolution. It addresses the problem of public pensions from a total compensation viewpoint. It is this total compensation concept that members of Congress must keep in mind when considering the bills before the Committee.

Another public pension project with which I have been associated is the Aspen Institute's Workshop on Public Employee Pensions. I was Project Manager of this symposium. It, too, considered pensions from a total compensation point of view. It's report, "The Quiet Crisis of Public Pensions," will be that to ignore this quiet but growing crisis will represent a major bankruptcy of governance in America.

The major point I want to make today is that the pension system is as important as the pay-cap in encouraging people to leave federal service.

The pension system was originally intended to help recruit people for public service. Now, because of early retirements, generous pensions, and extraordinarily generous cost-of-living adjustments after retirement, the system encourages people to leave government service at the very peak of their ability. This phenomenon is true not only at the senior executive level but at all levels—in all pay grades. It permits and even encourages people to leave public service at age 55 and even earlier in many cases. They leave to work in the private sector. Thus most federal retirees draw their pensions, earn salaries in new jobs and become eligible for social security. Some even qualify for additional pensions. This extraordinarily generous feature was publicized in a Washington Post story by Spencer Rich on February 19, 1979.

It is not surprising that thousands of federal employees have retired at age 55—and even earlier. What is surprising is that more of them have not done so! Those who do stay with the federal government are either extraordinarily devoted to public service or do not have the skills that are in demand in the private sector.

I am certain that members of Congress and those employees who are under the executive schedule have transferrable skills and that those who stay do so because they have job satisfaction that keeps them in public service.

But it is unreasonable to expect federal employees, particularly at the executive level, to continue to work for the difference between their salary and the pension for which they are currently eligible. And if this is true under present salary schedules for middle-management people—think what it is for those whose salary is capped. Neither they, nor members of Congress, nor of the judiciary should have their top salaries linked for pay purposes. The pay for each executive position should be determined by the degree of responsibility and the nature and complexity of the assignment. Arbitrary ceilings such as the pay of dissimilar positions and situations are inappropriate.

The important thing to keep in mind is that the arbitrary caps—or ceilings—are irrational and bring other factors into play. In 1977 fifty-three Congressmen retired, either the pay was too poor—or the pension too good—or a combination of both. In any event the Congress and the people suffered. Unique knowledge and talents were lost. The young men and women who took their places will, in my view, have to work many years to acquire the experience and judgment to match that of their predecessors. In addition there is the important fact that the pensions cost the taxpayer much more than is necessary or logical. I don't believe that many congressmen realize how costly these arrangements are. Neither do the taxpayers. I will

use the figures given me by the Equitable Life Assurance Society to illustrate how valuable my pension is, and how costly it is for the taxpayers.

My congressional pension for fourteen years service—and six years of military and civil service—amounted to $1,560 a month when I retired in 1973. Cost of living adjustments have raised this pension to $3,030 per month. It has a proviso that will pay my widow a substantial annuity in the event of my death. This pension cost me only $36,000 (the amount deducted from my pay). To buy a similar annuity from the Equitable would cost $492,318. But if it had a 6 percent cost of living adjustment it would have a purchase price of $1,086,615, and if the cost of living averaged 12 percent the present value of the annuity would be $3,686,935. This situation is not unique to me. The same compounding cost of living adjustments are found in all civil servants' pensions. Congressional pensions have somewhat more generous benefits. They are, to quote George Orwell, "more equal than others."

Inflation and indexation are the real culprits. They are what drove up the benefits under my pension. It has been estimated, I think, reliably, that to give people in the private sector benefits comparable to what federal retirees get would cost corporate America about 450 billion dollars a year. One can imagine what these costs would do to our economy. There is no way that the nation can afford them. Our goods would be priced out of world markets. And yet if we do not reduce the present federal pension benefits we will be faced with divisive forces that will disrupt our society as well as our economy.

Jo Anna Gray, a federal reserve economist, was quoted July 28th in Time magazine, as saying that "Indexation only aggravates the type of inflation we now suffer." And Time goes on to comment, "As salaries increase to meet prices, firms raise their prices again to pay for higher wages." And yet we continue to fully index federal pensions. In the private sector pension costs have to be added to the cost of doing business and passed on to the consumer just as wages are. The major costs of the federal pension are passed on to the taxpayer in the same way that private sector plans are paid for by the consumer.

How long will the taxpayer be willing and able to pay for these federal retirement programs of the civil service? Already state and local government employees are asking for (and in some cases receiving) benefits comparable to those of the federal government. Very few state and local plans provide for indexing after retirement—and if they do there is usually a cap of some sort. That may be a way in which your committee could stop the retirement exodus.

In short, the deep-seated reason—inflation—for the problem that you are trying to solve lies beyond your immediate jurisdiction. But to the extent that you can encourage good people to stay in federal service you should do it—but in doing so you must take precautions to see that you don't sweeten up our retirement plans. If you should continue to do so, you will fuel the fires of inflation until the pensioner and the public on which his livelihood depends are destroyed.

Five years ago I testified before this committee on the "1 percent kicker" or "add-on". Partially because of the points that I made at the time, Congress saw fit to eliminate this "add-on". In retrospect I can say with some pride that my arguments helped decide this question—and helped to save somewhere between 84 billion dollars at a 6 percent rate of inflation—and 389 billion dollars should this inflation average 12 percent annually.

These figures boggle the minds of most of us—and even the actuaries have a hard time visualizing a billion dollars—and how much it is. Suffice it to say that if I gave my wife a million dollars with authority to spend 1,000 dollars a day, she'd come back in a little over 3 years and ask for more. But if I gave her a billion dollars with the same authority, I wouldn't see the old gal for 3,000 years.

Madam Chairman we are playing with exponential economics. We are burdening future generations with costly pension programs that will tax huge portions of their income. And the income may not be there because we may lose out to other countries whose civil servants and indigenous work forces will not have to support such lavish retirement programs. Other countries are cutting back—we should do likewise.

Statement of Hon. David W. Evans

I would like to take this opportunity to express my appreciation to the Subcommittee and Chairwoman Spellman for this chance to express my views on the issue of Congressional pay.

I have always voted against pay increases and increases in other benefits for Members of Congress because I believe we should set an example for the American people in these instances. In these difficult economic times, it is ludicrous to ask the

citizens of our nation to "tow the line" and then turn around and reward ourselves by increasing our own pay.

In fact, I don't believe any Member of Congress should be allowed to vote for a pay increase which will show up in his or her paycheck before the voters have a chance to render a verdict on this vote during an election. Therefore, I have introduced, and urge support for, legislation which would prevent any change in pay for Members of Congress until the following Congress so that an election would intervene before any pay increase becomes effective.

Action must also be taken to separate the issue of Congressional pay increases for the appropriations process. It is unfair to delay and virtually throw into havoc the spending process of agencies and programs while we go through the annual dispute of our own personal salaries. I believe we are all weary of this yearly embarrassement of holding up the appropriations process while the nation watches the same old arguments and rebuttals on the theme of "how much is your Congressman worth to you?" In view of the current economic circumstances, I think we would all be a bit fearful of putting that question before the people.

I would venture to say that not one of us is comfortable with the current procedure. Not only is it humiliating, but it is also open to all kinds of trickery and gamesmanship. We force other programs into manipulation and ransom while we try to get an increase for ourselves without going on record for it. It diminishes the dignity of the office and the stature of those who serve.

I am hopeful that we will soon see that Congress is relieved of this spectacle by implementing a more rational approach to Congressional pay. I urge this good subcommittee to take action in this regard and I congratulate you all for the worthy efforts you have made.

STATEMENT OF HON. TONY COELHO

Madame Chairman, thank you for inviting me to testify before your sub-committee this morning. I commend the gentlelady for scheduling hearings on this bill. Action is long overdue, and I think every Member of Congress can appreciate the need for substantive action to remedy a situation that has long plagued members. I thank committee members for taking such action, and I am quite pleased to be included in this essential hearing so that I may testify to the merits of legislation which I have introduced on the subject, H.R. 5425.

This bill, H.R. 5425, deals with something that directly affects every Member of Congress. It proposes that any increases in salary which might come about from a review of Congressional salaries, shall not be effective until the next Congress convenes after the next general elections are held.

Many of my colleagues do not quite understand how I can sponsor a bill like this, and at the same time vote for an increase in pay for members of Congress. My reasoning is simple. For too long, whenever the subject of a pay raise has come before members of Congress, we have been faced with much conflict. If we vote for a pay raise we receive negative feedback from a few people. But Members of Congress should not be financially penalized for holding public office, and it is Congress and Congress alone who must initiate our own salary adjustments. Therefore, I support Congressional salary raises which arise from a need to keep pace with the rising costs of living.

However, I have a difficult time voting myself a raise. I think the public should have a voice in the matter. When we vote for Congressional pay raises we are voting for an increase in salary for the position, and not only for the individual who currently holds that position. Therefore, if the increased salary is not enacted until the next Congress begins, the public can decide whether or not certain individuals are worthy of the Congressional position and the salary it stipulates.

I feel so strongly about this, that while I voted for the last Congressional salary increase, I do not accept the increased pay, and will not do so until the people of my district re-elect me in the Fall. I think every Member of Congress must realize the importance of the bill. Passage of H.R. 5424 will eradicate much of the conflict with which we are faced when we must vote on a Congressional salary increase. At the same time, it will put the ultimate decision with regard to our raise in the hands of those to whom the decision belongs, the people.

Again, I thank the gentlelady for inviting me to testify today, and I would urge the committee to take favorable action on this bill.

STATEMENT OF HON. CHARLES E. BENNETT

I appreciate the opportunity to submit testimony on the need for legislation to provide that any future congressional pay raises be deferred until the Congress following the one which approved the raise.

The objective of my bill, H.R. 134, is to eliminate the conflict-of-interest that is now inherent in our consideration of any salary change that immediately affects us personally. It has always been my policy to return my pay raises until the following Congress and I think this would be the proper course of action for all Members to take.

Deferring Member's pay adjustments until the succeeding Congress will permit the electorate to know exactly what a Member will be paid during the term for which that Member is running. Such a measure will lessen the conflict-of-interest charges which Congress faces with respect to establishing its own rate of pay.

My bill would defer all raises for Members of Congress so that elected officials would not vote on their own pay, and thus, may help restore the public's confidence in Congress. I urge the subcommittee to approve this needed legislation.

STATEMENT OF HON. JOSEPH L. FISHER

Madam Chairwoman and members of the committee, I am pleased that you are holding this hearing on the important issue of Congressional and Executive pay. One approach is to this is embodied in a bill which I introduced last fall, H.R. 5672. My bill provides that adjustments in the rates of pay for Members of Congress shall be considered separately from the adjustments for other Federal employees and judges. The bill also provides that adjustments in Members' pay shall take effect at the beginning of the Congress after the one in which they are approved, after an election has taken place.

By providing separate procedures for pay adjustments for Members of Congress and for other employees, the bill makes it possible for Members to turn down or reduce a pay adjustment for themselves while allowing the employees to get the full adjustment. In addition, the effective date of any adjustment for Members would be deferred until after the next election. This would allow an opportunity for the Members' constituents to vote on his record, including his stand on pay issues, before he could get the new rate of pay.

I think that both the separation and the deferral are needed changes in the pay adjustment procedure. Because the pay rates for high Government officials have been linked to the rates for Members of Congress, the officials have been denied pay increases every time that Members have decided against raises for themselves. The people who make the highest level decisions in our Government have had only 3 pay adjustments since 1969, a period that has seen high inflation and annual raises for the majority of Federal workers. A situation like this is not conducive to the effective government. My proposal, by breaking the pay linkage, offers a way out of this problem.

The provisions of my bill affect both of the pay adjustment procedures—the quadriennal adjustment in base pay and the annual adjustment for comparability.

BASIC RATES OF PAY

The base pay for Members of Congress, Federal judges, Cabinet officers, other agency heads and other high-level positions in the three branches of Government are based on recommendations by a commission of private citizens, the Commission on Executive, Legislative and Judicial Salaries, established every 4 years by the President. The President makes his recommendations on the pay rates after he has received the Commission's report.

Under new procedures adopted in 1977 for the quadriennal adjustments, pay rates for each of the personnel categories will be considered separately by Congress. This procedure will be used for the first time in 1981. Each House of Congress is required to take a separate roll-call vote on the adjustment for each category. This procedure permits Congress to reject its own raise without blocking the other raises.

The proposal I am introducing further changes the procedure for the quadriennal raises as they apply to Members of Congress. In addition to the separate roll-call vote, the effective date of the raise for Members would be deferred until the beginning of the succeeding Congress.

ANNUAL ADJUSTMENTS TO PAY

The Comparability Pay Act of 1970 establishes procedures for adjusting Federal employee pay every year. In 1975 Congress amended the law so that Members of

Congress and high-ranking officials would get the same annual adjustment that is given to other Federal employees. This procedure has only been followed once, in 1975. In subsequent years, Congress has rejected the annual raise for itself and the high ranking officials by refusing to appropriate funds for the raises. The basic law has not been amended; instead, the matter has been handled each year in the appropriations legislation.

The proposal I am introducing would establish a separate procedure for annaual adjustments for Members of Congress. A roll-call vote on the adjustment would be required for Members' pay only, and the effective date would be deferred until the beginning of the succeeding Congress. This proposal leaves in place the 1975 law providing for automatic annual adjustments for high-level officials. Congress could still use the appropriations process to block these raises. The advantage of the change I am proposing is that it focuses attention and requires a separate vote on Members' pay. A similar vote is not required on adjustments for other categories of employees.

I hope that the committee will give favorable consideration to this bill or other legislation taking this general approach of separating the two kinds of pay and providing for later implementation of Congressional pay adjustments.

STATEMENT OF HON. GEORGE M. O'BRIEN

I was not altogether surprised when the House Appropriations Committee, of which I am a Member, decided quietly to withdraw the provision for a cost-of-living increase for members of Congress this year. After all, this is an even numbered year, which means most of us will be doing a lot of explaining between now and November. With the state of the economy, it is easy to see why our committee took this prudent course of action so that members seeking reelection would have one less item to justify to the folks back home.

As you may remember, Madam Chairman, this is in marked contrast to the hoopla that we endured for several months during an odd-numbered year when our actions did not seem so readily accountable. For those who may have forgotten, let me remind my colleagues that it was an embarrassment to our committee, to the leadership, and to many members of this body. The Legislative Branch Appropriations bill was rejected on the floor of the House after members were denied the opportunity to record their objections to a cost-of-living hike. It was sent back to committee and adjusted to a lower figure and was sent back to the floor where it endured more protest. When it finally squeaked through the House, it was tossed right back like a hot potato by the Senate. Eventually, a compromise figure was reached, but not before many hours of debate, harsh words, and difficult negotiations. As a member who was in the maelstrom, Madam Chairman, I concluded that there had to be a better way for this body to set its rate of pay. After a considerable amount of research, I found that I was in pretty good company.

I am certainly not the first member of Congress who believes that members should not vote themselves an increase of wages for the term of office that they are currently serving. I think that this was very eloquently stated by one of my predecessors, who addressed his colleagues on the subject with: ". . . there is a seeming impropriety in leaving any set of men without control to put their hand in the public coffers, to take out money to put in their pockets; there is a seeming indecorum in such power, which leads me to propose a change."

The speaker was James Madison, one of the framers of the Constitution, and the year was 1779—the first session of the first Congress. He was offering an amendment to that Constitution which read: "No law, varying the compensation for the services of the Senators and Representatives, shall take effect, until an election of Representatives shall have intervened."

While this amendment passed both the House and Senate that year and was sent to President Washington for transmission to the states, it was only ratified by six of the necessary 11 states to make it part of the Constitution. One reason is that it was a part of a block of amendments that we know as the Bill of Rights and since the pay of members hardly qualifies as a fundamental individual freedom it did not seem to fit in.

Ironically enough, in 1978 the state of Wyoming ratified that 1789 amendment. Although this hardly qualifies as a contemporaneous endorsement, it still shows the sentiment of a number of our citizens when it comes to the subject of Congressional pay raises.

I don't think that anyone can state the logic better than James Madison did back in 1789. It does smack of impropriety to dip into the public till without at least consulting the electorate on the subject. While the fledgling government that Madison was serving may have had some problems with stability that impeded the

ratification of his amendment, he certainly did not face the problems of inflation and distrust of government that his successors to the office contend with. I don't think that I have to remind any of my colleagues of what the public opinion polls show about the public's confidence in the United States Congress.

I do not, however, think that it is necessary to amend the Constitution to do what we are capable of performing through statute. We have several laws on the books now that pertain to the convoluted mechanisms by which members of Congress receive raises. I think that we need only amend the statute that deals with the effective date of Congressional raises. While I agree that the emolument should be comparable to the responsibilities we bear, I don't think that we need give that adjustment directly to ourselves. Rather, we should leave it to the people who elect us to decide who they want to have the job at the pay that has been designated.

My bill, H.R. 5327, would defer all Congressional pay raises and cost-of-living adjustments until the beginning of the Congress that follows the increase. By deferring any raises that we vote for the job of Congressman until after the next election, we would allow our employers, our constituency, to decide the matter. I believe that this action will defuse what we have all come to realize is a very volatile issue. The 97th Congress not only has a cost-of-living adjustment to look forward to but also the quadrennial review. I think if we lay the ground rules now for this question, we will save ourselves a great deal of trouble in the future and establish an honorable manner for determining our rate of pay.

Statement of Hon. George Hansen

Mr. Chairman, it is time to discipline the Congress by freezing the salaries of U.S. Representatives and Senators from cost-of-living raises and reduce them by the percentage increase of inflation.

Congress causes inflation, but it insulates itself from the effects with generous cost-of-living raises and other allowances. The American people, who pay the bills, are left to suffer from inflationary ravages caused by Congressional extravagances.

My bill, H.R. 5255, would end this outrage, and make the people who cause inflation suffer its effects like every one else. This would have the happy prospect of diverting an irresponsible Congress from its excessive ways.

Government blames business, labor, consumers, and the Arabs for inflationary increases—but Washington is the main course of inflation.

Inflation is an increase in the money supply caused by federal deficit spending which makes each existing dollar worth less and less. This is what causes prices to rise, diminishing the buying power of the paycheck.

Congress big spending, and its deficit spending—combined with political attempts to stimulate the economy for election reasons—causes immense harm to the buying power of the poor, the aged, and the middle class. Big bankers, big businessmen, and big bureaucrats who can pad their incomes to offset increased costs do just fine, and so do Congressmen under the existing system.

My bill would freeze Congressional salaries at present levels, and lower them by the same percentage as the increase in the cost of living. If there were a two percent rise in the Consumer Price Index, Senators and Congressmen would get a two percent cut in salary.

Mr. Chairman, this is the quickest way I know to educate Congressmen in the realities of economics. I strongly suggest that adjustments be made on a month-to-month basis to provide immediate impact for legislative action.

Statement of Hon. Bill Goodling

Last September I voted in favor of an amendment to disallow a cost-of-living increase for Members of Congress. I did so, not because I believe Members to be undeserving of this, but only because of my strong conviction that any increase should be delayed until the succeeding Congress. This is the only way to give our constituents, who pay the bill, a chance to decide whether we, as individuals, should benefit from it.

As proof of my statement that my quarrel is with means, not substance, I introduced H.R. 5383, the effect of which would be to increase Congressional salaries approximately 10 percent effective January 1, 1981. That increase, however, was contingent on no other taking place in the intervening time. As we all know, that condition no longer exists. Our salaries went up from $57,500.00 in September 1979, when H.R. 5383 was introduced, to $60,662.50 at the present time, less than 10 percent, but nevertheless an increase.

Thus, my purpose here is not to testify on behalf of H.R. 5383 specifically but, rather, on its purpose: to acknowledge that Congressional pay raises are justified, but not for a sitting Congress.

An important—perhaps crucial—element in the relationship between Representatives and their constituents is mutual faith and respect. The demonstration of that respect is not just in what we do, but also in how we do something. My constituents—and yours—might very well agree that we are due a modest cost-of-living increase if we give them the chance to agree. That is all the delay in accepting the raise means—having enough respect for ourselves and those we represent to present the facts, and then allowing them the final decision.

I know that the vast majority of my colleagues are hardworking, honest and dedicated people who earn every penny of their salaries, and more. Ours is a demanding job, involving long hours and difficult decisions that affect the lives of millions. Many corporation executives, entertainers, and even the television news teams reporting what we do command far handsomer salaries than ours. Most of my colleagues have the skills and abilities to earn much more in the business world than they do here. But there are satisfactions in working on issues of national consequence that money cannot buy. We are here because we have strong convictions about the way our country should be governed, because we value the opportunity to work on issues that have national and international consequences, and because we love this institutions. But there is also a limit to the amount of personal financial sacrifice we can ask of our families, especially when those families are still young and in school.

So, in urging a new approach to the perennial problem of Congressional salary compensation, I am not by any means joining in the chorus of those who justify denying any responsible raise by berating "politicians" in general. On the contrary, I highly regard and respect most of the men and women with whom I work in the U.S. Congress. I also hope we will be wise enough to forego what might be an immediate advantage for the greater advantage of knowing we have given our constituents a voice in the benefits we vote for ourselves.

Thank you for this opportunity to express my views.

Statement of Hon. Stephen L. Neal

Madam Chairman and members of the subcommittee, it is an honor and a pleasure for me to come before you as the Subcommittee begins deliberation on the question of congressional pay raises. I applaud the subcommittee's willingness to address this controversial issue.

I have been asked to comment on a series of bills I have introduced on this subject. With the Chairman's permission, I will limit my comments to H.R. 5365 and H.R. 5366. The other legislation under consideration by the Subcommittee, H.R. 5270, was an attempt to prevent the last Congressional pay increase from taking effect. This issue has already been resolved by the Congress.

Madam Chairman, we must have a workable and open policy for deciding whether to grant ourselves pay adjustments. The urgency for developing such a policy is heightened by the microscopic scrutiny under which that Members of Congress find themselves. The system must be changed so that we can allow a worthwhile debate on the validity of pay raises and cost-of-living adjustments. The process also must be insulated as much as possible from politics. Finally, it must be open to the test of those who put us in office—our constituents. By not requiring separate recorded votes on some pay raises, we have developed devices that have enabled us to avoid taking a stand on pay raises. The time has come to throw away the crutches so that members can stand on their own feet.

I have long had an interest in the development of a new pay adjustment process. During my first term in Congress, I received a clear message from my constituents of the Fifth Congressional District of North Carolina. This message came about as a result of a vote I cast in July, 1975, which allowed for a 5 percent increase in the salaries of Members. The outcry against my vote was loud and clear. My constituents were vehement in their objection to our having us voted ourselves a pay raise. Since that time, my congressional record reflects consistent opposition to voting ourselves pay increases. My opposition can be summarized as follows:

94TH CONGRESS

In 1976, during consideration of the Legislative Branch appropriations Bill, I voted to nulify the cost-of-living adjustment for Members of Congress.

95TH CONGRESS

On February, 1977, I sponsored H. Res. 245 to disapprove the pay raise which was scheduled to go into effect on February 20, 1977.

On February 7, 1977, I urged the Subcommittee on Presidential Pay Recommendations of this full committee to reject the recommended $12,900 salary increase for Members of Congress.

April 4, 1977, I sponsored a bill to revise the procedure implementing congressional salary increases in order to insure a recorded vote on every increase.

I cosponsored H.R. 7940 to disapprove any cost-of-living increase for Members of Congress for that session of Congress.

I supported an amendment to the House Budget Resolution to delete funds for the February 20, 1977, pay raise.

On June 29, 1977, I supported an amendment to the Legislative Branch Appropriations Bill to cut back the pay of Members of Congress and other high government officials to the salary levels which existed prior to the February, 1977, pay raise.

On November 1, 1977, I found it necessary to vote "no" on a second on a motion to suspend the rules and pass H.R. 9282 because the bill included a provision preventing vote in both the House and the Senate on annual cost-of-living increases.

I introduced legislation (H.R. 11484) in March 1978 to deny cost-of-living increases for Members of Congress for that fall.

96TH CONGRESS

On June 13, 1979, I voted for an amendment to the Legislative Branch Appropriations Bill for fiscal year 1980 which would hold the annual cost-of-living increase for Members of Congress and other high officials to 5.5 percent. If this vote had been rejected, the increase would have been 11.3 percent.

On September 13, 1979, H.R. 5270 was introduced to prevent any pay adjustment from going into effect on October 1.

During Consideration of Continuing Appropriations for 1980, I opposed all votes which would have granted Members of Congress a cost-of-living adjustment.

In September, 1979, I again introduced legislation to amend the congressional pay procedure. That legislation is under consideration today.

Madam Chairman, we need a system to allow for pay adjustments periodically, like anyone else gets. They should require a recorded vote, however, and raises should not apply to the Congress in which it was voted. My proposed revision in the procedure for implementing a congressional pay raise are embodied in H.R. 5365 and H.R. 5366. H.R. 5365 would provide that any increase in pay for Members of Congress would not take effect until the beginning of the next Congress. Since House Members serve terms of two years, and a Congress coincides with those two years terms, those of us in the House of Representatives would never actually be voting on increases for ourselves, but for Members who are elected for the following Congress. This also would give the voters the opportunity to have the last word, as they should, about the propriety of any pay increase.

Finally, H.R. 5366 would amend the Federal Salary Act of 1967 and the Legislative Reorganization Act of 1946 to provide that any adjustments in pay for Members of Congress may not take effect unless specifically approved by a recorded vote in the House and the Senate. It would prevent any pay increase—including those recommended by a quadrennial commission and those recommended by the President under the Federal Comparability Act—from taking effect without an affirmative vote by the Congress. Presently, only the recommendations of the quadrennial Commission on Executive, Legislative, and Judicial Salaries are subject to a roll call vote. The annual recommendations of the President for pay adjustments have, in the past, somehow eluded those of us who wish to have recorded votes. My proposal would remove, once and for all, the shroud of secrecy.

I believe the proposals embodied in H.R. 5355 and H.R. 5366 would accomplish the goals of having an open and accountable system of providing for periodic pay raises, and that the several changes that they would make would increase the confidence of the public toward this institution.

Thank you very much for inviting me to testify and I look forward to any questions you might have.

STATEMENT OF HON. SILVIO O. CONTE

Madam Chairman and members of the subcommittee, thank you for the opportunity to testify on behalf of my bill, H.R. 1343, the Congressional Pay Deferral Act.

As members of this panel well know, the Congress in recent years has had severe problems enacting legislation providing for pay increases. As a result, Congressional

salaries are lower in real dollars than they were a decade ago. From 1969 to 1980, Congressional pay rose 43 percent while the cost of living increased by more than 100 percent. During this same period, blue collar workers obtained raises totalling 115 percent and professionals, such as corporate attorneys, secured increases amounting to 97 percent.

Members of this body have been reluctant to support pay raises in the past in part because they, as well as the American people, feel it is inappropriate for individuals to give themselves raises. While I think that the Congress has used its unilateral power responsibly, I understand how some consider it improper, at least in appearance, for the Congress to increase its own pay. In order to improve the process, I introduced the Congressional Pay Deferral Act which provides that any increases approved by one Congress, not take effect until the following Congress.

This bill, H.R. 1343, should facilitate the adoption of necessary and merited raises, thus allowing salaries of members to at least keep pace with inflation. If a reasonable salary is provided them we can continue to attract qualified and competent candidates for seats in Congress and we can ensure that those members re-elected are not overly financially burdened by their decisions to remain in office.

Perhaps more importantly, be expediting the consideration of Congressional pay raises, the Act will ensure that pay increases for other federal employees, such as judges and senior civil service officials, are not bottled up on the floor and in conference. In many areas the federal government must compete with the private sector for talented individuals and it can only be successful if it can pay a prospective employee a competitive salary.

For the above reasons I urge my colleagues to report favorably this legislation. Thank you.

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